AN ALTERNATIVE APPROACH TO BRAND IMAGE BUILDING - HOW TO DRIVE DECATHLON’S PASSION BRANDS TO SUCCESS IN HUNGARY

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Pridalkó Patrik
PART I.

1. Executive summary
Coca-Cola, McDonald’s, Sony, Mercedes, Microsoft... These are the world’s most famous brands. Every company and businessman aspires to have such brands. Every marketing expert wants to build up similar brands. And of course, the consumers do not want either to buy simply a physical product: they need the conscience that they are buying a real brand. With the evolution of the global market, the brands developed with an appropriate strategy became more and more significant in the scene.
What can be the distinction between a simple product and a real brand? What is the brand offering to its consumers? Why are own labeled brands decisive on the market? The author of this assignment will define “brand name” from different aspects, and analyze shortly the different strategies of the last decades’ top brands. Beside that and going-over the relevant theory, the different type of brands and they interactions, the emotional effects for the customers, the author is presenting the marketing communication possibilities that are available to retail companies and finally the current challenge of a world market leader multinational company which now wants to root its own labeled brands on the Hungarian market.

2. Introduction
Brands today have never been so powerful and prominent. Today a brand is no longer just a logo on a soup tin, but it turns more like a carefully orchestrated experience, supported by complex marketing budgets, activity and sophisticated psychology. For achieving the higher organization’s objectives and keeping the profit maximized, companies are paying more attention to their brand management. More and more strategic methods and concepts are introduced for leveraging the brand.

We all know that a reputable, strong brand can provide a significant power, but on the other hand it does not last for ever and is not preventing from external market threats. A brand must be built up watchfully, and then be constantly maintained and looked after in a committed way from all the stakeholders of the enterprise. We live
in the world of brands, and there is practically no moment in our lives when we do not meet any manifestation of brands. Let it be a logo, a slogan, a TV-spot, a billboard... or the product itself! We can all list numerous brands which we have grown up with, which we trust and consider as “old friends”.

Everybody could say an acceptable definition for this notion in which words like “uniqueness”, “identity”, “quality”, “diversity” or “guarantee” would appear. Then why should it be discussed further?

This paper wants to prove that brands are of vital importance in the subsistence and success of companies, and that for their right management we have to know and understand all their details and complexities. If we do not know what the real essence of a brand is, we cannot hope that we can identify and overcome the related problems, challenges.

Enable to make the reader to understand the theme of brand image building and link it with other marketing issues as a whole picture, this paper starts from fundamental marketing topics by applying and explaining some basic marketing theories and concepts. As far as theory is the backbone of any further discussion, it will make my analysis look more congruent and persuadable. In the second main part of this paper I will use the case study approach, as it gives the possibility to get deeper insight into a certain problem or situation and how the involved issues see upon the situation. Therefore for my own study findings and conclusion drawing, the “problem-based” approach was seen as the most appropriate.

3. Theoretical Foundations for brand building practice

3.1 The definition, the function and the benefits of brands

The world is moving, the technology is changing, the massive sights and messages exist in various forms that keep capturing our eyes. Marketers are trying thousands of paths to let us get in touch with their brands and products. But the right competition makes information harder to get through the audience and the target group, therefore as a consequence it has made brand harder to be differentiated. Further more, products and services are becoming more and more alike, new techniques and
competitive advantages are copied at higher speed than ever. As a matter of fact, as we are in this kind of business environment it is always essential for producers to find out a position for their own products or services that they can make efforts to focus on and clarify the attributes that make a product unique to the customers. Establishing and maintain uniqueness, this is the only way to make the product and services look attractive in any targeted segment and stay longer in the market. When we are talking about marketing nowadays, it has to be all related with brands. More and more firms have come to the realization that one of their most valuable assets is the brand name associated with their products or services.

As many researches show, huge amounts of money have been spent on annually to packaging and advertising both consumer and industrial products, this again proved that product branding and brand management are major factors to become successful on the market.

During earlier times, organizations and managers realized that brands could hold a real value for the enterprise. Now companies started to produce brands and try also to make a strong brand as one of the corporation’s most important and valuable assets. We can take Coca-Cola as an example: it is evaluated to approximately 100 billion US dollars today. This number equals around 60% of the corporation’s value on the stock market. This data clearly shows that how dependent Coca-Cola co. is on its brand(s).

Now, more and more producers have realized the benefits of branding and profits that it can generate. Enormous amounts of marketing budgets are spent every year to create and maintain the uniqueness, the distinctive image and value of the brand. Brand value can be divided into four aspects, like consumer, retailer, supplier, and producer value. For the consumer, the value of a brand is the price he or she is willing to pay to get what the brand promises to deliver. Value to the supplier and the retailer is the possibility of higher margins, better financial leverage and increased “store traffic” through the brand’s attractiveness. Thirdly, values to producer are generally expressed in market share, sales revenue, operating profit and also return on capital invested.

“Brands are genuine assets and, like other forms of asset, they can appreciate considerable as a result of careful management and development” - (Developing Business Strategy, Aaker, 3rd Edition. p. 259)
A strong brand usually acts as a guarantee and shows that the customer’s expectations are fulfilled or even exceeded. In other words, the brand also assures a higher level of stability in business due to smaller fluctuations in demand and brand loyalty, which can give higher income, lower distribution costs and so on. Furthermore, strong brands have a positive affect on investors, which lead to lower risk and will secure future cash flows.

John Stewart, co-founder of Quaker Oats, once said: “If this business were split up, I would give you the land, bricks and mortar, and I would keep the brands and trade marks, and I would fare better than you” – (Principle of Marketing Book, 10th Edition, p. 291)

However it might not be enough just to create strong brand awareness for some organizations. Instead, strategic success might be achieved through leveraging the brand, because the brand is one of the most strategic and worthy assets a firm owns.

Brand is something different than product, as Stephen King stated: “Product is something that is manufactured in a factory, and brand is what the consumer buys.” Charles Revson, the founder of Revlon had a similar statement, when he said that in his factory he is producing cosmetics products, but his customers are buying a hope. These latter two examples show very clearly the ultimate difference between product and brand. We should agree that every brand starts as a physical product, non-differentiated from the others; its market success or failure depends mainly on the quality of its utility. Long ago, when soap was delivered to groceries in big blocks, and the shop-assistant had to cut the desired size from it, the consumers made their judgment about the soap whether it was functioning well as “soap”. After Sunlight has launched a uniform-sized, nicely packed soap, the Sunlight brand could be differentiated from ordinary products and its amazing development started just after.

A good brand reaches that we are satisfied with our choice of buying and using that particular product. Such “good brands” help the customer in decision-making, by exactly knowing what we need. This brand is not else than a continuous circle of related actions and reactions, which will be illustrated later in this paper.

The various abilities of the brand show how complex it is in reality. Much more than a slogan, a logo or and advertisement as a layman would define it, these only mean the show-case in relation to the core of the brand. The core is the idea, the concept
(in case of services, for instance) which can change or can be changed—this is the way the brand is coming to existence and is developing further.

### 3.2 Where can branding be justified?
Because of the competitive nature of business today, nearly all industries can benefit from branded products. All of the traditionally brand-conscious industries, including fashion, restaurants, and consumer goods, are being forced to continue to brand heavily, perhaps even more strategically than ever in the past. Even financial services, which were one of the last frontiers, are also beginning to see the importance of branding by for example tagging banking packages and even mutual funds coming up with amazing titles to attract customers. The examples below are other industries for which considering branding is inevitable: fast food, beverages, retail, automobile, pharmaceutical, entertainment.

### 3.3 The dimensions of brands
As we could see previously there is no universally accepted definition for “brand”. In this short section nevertheless we will go through two different models serving to assess brands. Before that it is essential to make distinction between brand image and brand identity.
Brand image is a kind of picture that exists in the mind of the consumers and comprises all gathered information about a particular product. These information can be of empirical nature, can come from friends, advertisements, packaging and so on. At the same time, this picture is modified by former believes, selective cognition, social norms, and forgetting.
On the contrary, brand identity is the picture the company wants to show to the market participants. We can control the identity of the brand if we understand its essence, and we know what values it expresses. There are two commonly known models to analyze the brand identity. The first one is from the Leo Burnett Brand Consultancy and describes brands as the composition of functions, image, sources, and differences.
In the center of the model is the core of the brand which is determined by the latter components. The brand image will be strong only if these four factors are in harmony and support each other. If only one of these factors seems to be week, or transmits a
contradictory message in relation of the others, than the image in the mind of the consumers will be confused.

![Figure 1. — own figure based on Leo Burnett's model](image)

The second model originates from Kapferer, the world famous brand expert. His brand dimensions are buildup, identity, culture, relationship, reflection, “self-image”. Under “build-up” Kapferer means the function, but in a more extended way, not only the physical features. In this model this is central purpose of the brand which matches the “What is it good for?” question of the Leo Burnett model.

The identity factor is clean-cut as it is used since decades as a major descriptive dimension on the FMCG market. The consumers can give description of the identity of the brand. The tools of examining the brand identity will be dealt with later in the methodology part and in the case study as well. ”Culture” is part of the brand itself or that of the parent company. Let us think about the Mercedes cars which have strong cultural factor: it represents the high level of engineer know-how and thoroughness of the company and the manufacturing country as well. Nike on the other hand transmits the culture of individual efforts and the commitment to reach success. As people usually buy over again on the consumer market, relationships can develop between them and brands. This is important in the scope that several market thesis
state that markets are built-up by different independent transactions. However it is essential that we talk about the move from the importance transactions to the importance of relations. When later we will analyze Decathlon’s brand strategy and how people are buying in reality, we can confirm that developing a relationship between the brand and its user has a constructive and positive effect. Under “reflection” is meant the type of consumer the brand is apparently targeting. It does not necessarily correspond to the target market appearing in the marketing plan as many reflections create the so called aspiration which is discussed later. It shows the type of person the user desires to become.

Self-image is the inside version of reflection. The brands we buy –of course only to a certain extent- reflect our opinion about ourselves. Even those who reject brands and buy commercial brands have their own opinion: “I am a rational person, I buy value for my money, and not useless advertisements”. But globally speaking brands have great influence on people’s life, habits and personality, even if someone does not admit it.

3.4 The process of brand communication

Brand management focuses on providing the consumers a perceptible value beside the offer of the company. The manager does this by forming constantly the image of the brand. The brand image the consumer will have is developed through the process
of decoding, translating all the emitted signals related to the brand. This is illustrated by the next chart:

![Brand communication process diagram](image)

*Figure 3. – Brand communication process (own figure based on Peter Doyle: Értekvezérelt Marketing, page 355.)*

The task of the company is to transmit the message of the brand identity in order to induce in the customer positive feedback and reactions in the form of purchase and brand loyalty. The latter flowchart demonstrates why it is so difficult to reach and why it can occur that a brand image is not matching the brand identity desired by the company.

The most typical problems of reaching desired image and feedback are the following:

- **Rival messages**: Buyers meet several thousands of messages every single day, out of which only 5% is noticed and only 1% induce some kind of reaction in the target group. Without huge advertising expenses or luck it is very hard to reach the target with the message. According to estimations the creation of a new, global brand costs approximately 100 million dollars. For instance, internet companies spend 90% of the investors share capital to initial advertising.

- **Ineffective brand identity**: It can happen, that the targeted buyers think that the positioning of the brand does not meet their expectations. They may not believe the statements, or they do not need the advertised specialties of the brand. If the relation to the message is negative then the buyers reinterpret or reject. In general we can state that closer the brand identity to the currently perceived image is, more efficient it will be.

- **Other messages related to the brand**: A company is not able to control every information related to the brand. The buyers can obtain information from other
consumers, from their own experiences, or seeing somebody during the use, consumption, or from completely other sources, like internet. A malignant registry on a blog site can cause serious distortion in the image of the brand. Just think about the case of Danone in Hungary, when a call for boycott was made because the company closed a factory in the countryside.

- *Ineffective messages:* The creative nature of the message can have a great influence on the effective mediation of the brand identity. The content, the attractiveness and the chosen form of communication can all develop the number of persons getting and reacting to the message.

- *Wrong choice of media:* The choice of media has an important role in reaching the highest number of the target group and to what extent it will raise confidence in the buyers about the brand.

- *Other problems:* Some elements of the marketing mix can also affect the customer reaction, like the price or the availability through the different distribution channels. If a basic convenience brand is rarely on the shelves of shops because of wrong delivery timing for instance, the buyers may easily turn away from that brand and have negative associations.

We should discuss here another important question: Does every brand need “traditional advertising” to transmit its messages? Till now, we presumed that every single brand needs advertising to survive in the cut-throat competition, but the truth is that there are brands which obviously do not fall back on it. Marks & Spencer for instance does not practically spend any money to advertising in the United Kingdom, but is still a very strong brand. It seems as well, that the unique brand identity of the Body Shop Co. was built up without significant advertising activity. Of course in these latter cases we are speaking of retailers: they have own stores next to which hundred thousands people pass every day and of course go in as well. The shops themselves are a kind of advertisement; we can hardly mention any brand except from retailers that could survive without advertising.

### 3.5 Brand as an emotional charge

Let us take few minutes to flip through a newspaper or a magazine. We can try to find ads which make us pleasure, which is tiresome, or which is surprising and raises
our attention, and of course we can find even some which want to make us buy. If we ask somebody else to make a similar “research”, chances are great that a fierce debate will come up during our exchange of views regarding the different ads and its messages to the audience. This typical situation reveals the problems of targeting and segmentation.

If we were to meet popular or well-known ads among all the surveyed ones, it is sure that we can tell a lot of things about them. Even after a simple look at the logo or the design of the brand, feelings, expectations, thoughts, and promises will emerge. It is probable that our thoughts related to that brand will be subjective, and we will be more ease when talking about the emotional aspects and impacts than the technical features or data of that particular product. If the question is to describe our favorite brand a great majority of the questioned people will mainly outline emotions, experiences rather than technical facts. The image of the brand is not else than the sequence of interconnections generated in our brain by the picture and the logo of the brand. One of the strengths of a good brand is that the essence of its performance is made in the brain cells of its users or future users. However, this fascinating topic – part of neuromarketing- will unfortunately not be discussed further in this paper, as it requires serious physiologic researches as well.

3.6 Brand as the symbol of consumer loyalty

Brands can build up unbelievably strong loyalty, which value should not be underestimated. Lot of companies without brands would be delighted to get rid of the techniques to gain loyalty among its target group. On the other hand we should not consider that the real loyalty is due to the monopolistic position of the enterprise. Let us just think about the escaping customers when a deregulation or the emergence of a solid competitor happens on a monopolistic market, even if that company had relatively good offers. With time, of course, lot of customers returned, but it was due to the very costly enticement. In Hungary, after the takeover of Matáv by Deutche Telecom and the deregulation, the telecommunication company lost a considerable part of its customer base, even those who were subscribed for 20 years. Loyalty -just as love- is not eternal if it is not accompanied with content.

True loyalty is not due to the “bribe” that lot of enterprises are providing to the customers let it be in the form of bonus cards, point booklets, fidelity cards as a great
majority of the participants consider this as a good momentary offer to play upon, and when it is finished they just move on. When we analyze the budget of brand building we have to take into account these latter types of “loyalty gaining methods” as well.

3.6.1 Brand loyalty – what is it in reality?
Loyalty is the result of the qualitative relationship building between the consumer and the supplier. If this relationship contains direct human contact as well, then there are good opportunities to build loyalty through individual means. But if this latter is not possible, then the brand itself will be the major and most efficient representative of the relationship between consumer and the parent company.

3.6.2 Consumer expectations and brand loyalty
Two variables can help us to define the consumer expectations and the potential level of brand loyalty: the importance of the purchase for the consumer and the value of the purchase.

Importance and brand cognition
The importance of the brand for the customer is determined by several factors, out of which the following two are the most important:

1. The more complex the consumer and the brand relation is- which manifest itself in the number and diversity of brand interactions.

2. More the brand can identify itself with the problems, questions of the consumers; greater is the chance that a long-lasting loyalty will develop.

We can now compare two similarly expensive products, but of a totally different importance: the bed and the hi-fi equipment. Bed is used to sleep on, and is usually made up. Hi-fi equipment is to entertain people and is usually in the foreground, somewhere in the living-room. The enterprises manufacturing beds make serious efforts to create strong brands, but if we are asked to mention 6 out of both, I am sure in case of the furniture most people would be in trouble. The brand manager aspiring to deepen brand loyalty takes into account the relative importance of the brand, the number and the nature of the consumer-brand interactions. If he succeeds to increase these interactions then he can improve the level of brand loyalty.
Those brands induce the strongest loyalty, which are the most indispensable for the consumers, because they are heavily concerned by that brand, and catch people by their “weakest point”. For instance cars do pretty much in this field, a long chain of interactions serve to make the consumer interested from the stage of waiting, through selection, purchase, use up to even the memory of the use. With the decrease of interactions and importance it is more and more difficult to gain loyalty. After some purchase – giving no interaction, positive experience – it is practically impossible to show signs of loyalty.

The relative expenditure

After the examination of the importance of the purchase, let us connect that now to another variable – the amount of money devoted for the purchase, comparing it with all the other spending. These two factors are the denomination of the two axis of the matrix in the chart. We can place few things in the four quarters of the matrix based on our expectations and spending. The chart illustrates the author’s perception and preferences.

Figure 4. – Own figure based on Peter Cheverton: Márkaimázs felépítése, page 37.

It can be that this positioning is not acceptable for everybody, as some people can consider the purchase of not branded mineral water as wrong choice, because they are looking for some other special minerals only contained in premium brands. And
these contrasts are the basic elements to understand the consumer expectations, brand building and brand loyalty. Different consumer groups have different expectations, so if we want an appropriate brand, we have to choose the right target group. Brand and segmentation cannot be separated; this is confirmed time over time.

After filling the matrix we have to ask ourselves a few questions and based on the answers we can formulate possible brand approaches (which appears in the bubbles of the chart):

- Do we buy these products/services always in the same way or differently?
- What are our expectations related to these brands?
- What kind of value are we looking for?
- How loyal we can be to the different categories of the matrix?

The answers clearly indicates how should the brand values be positioned in relation of customers expectations, just as the position of these expectations on the “mental map” of customers, which is in our case illustrated by the matrix.

**3.7 Brand as the measure of social recognition**

There are brands which serves people who want to reach recognition through their buying practices. Driving a brand-new Mercedes, wearing a Rolex watch, and carrying Hugo Boss shopping-bag (even if the person is buying in Lidl) - are the typical sign of exhibitionist consumers. If we would remove the signs and logos of the latter products, and put Skoda, Casio and Lidl signs instead but on the same items, we could observe how fast people can forget their loyalty.

Brands entailing social recognition reflect the consumer’s self-confidence, although in a quite complex way. Ones consider the label on their clothes as the expression of their identity, while others as the desire to belong to that particular social group wearing this kind of trendy textile. Sometimes we are seeking the “approval” of our buying decision: while a lot of people are disappointed to see their clothes on other persons as well, others consider this as the proof of their right choice. For sure, every retailer or brand manager aspires to meet the latter customer reaction.
3.8 Finding the right level of our brand

The layman could think that every brand wants to reach the highest level of emotional charge, but it might not always be the wisest ambition. First, to maintain the brand image at the highest level of social recognition is very costly and necessitates the consistency of the credibility over a long period of time. Secondly, higher the emotional charge and more concrete the positioning is, more we are vulnerable against the potential market changes. Instead of targeting the highest level, it is more reasonable to investigate which level might be realistic and well-founded for our brand and obviously our financial resources. The brand management theory does not indicate any rule, specification regarding the determination of such levels. However several experts recommend the interpretation of two essential aspects which will determine the “level” of the brand: 1. what the brand does for the formation of its image – so the brand activity; 2. the customers attitude towards the brand – so customer interaction.

The famous, Vistage branding expert, Tryg Jacobson identifies "four pillars" of branding strategies which are part of the brand activity (source: http://www.vistage.com/programs/best-practices/branding.html, visited on the 15th November 2007):

1. Differentiation. To create a brand, you have to set yourself apart from everyone else in the market. You can't build a brand by being the same.
2. Relevance. Relevance has to do with appropriateness, meaningfulness and, ultimately, the value of your point of difference. If your product or service isn't relevant, your point of difference won't attract customers or keep them.
3. Esteem. When you succeed at building relevant differentiation, customers respond with high esteem for your product or service. Brand esteem can maintain high levels even after a brand has lost its point of difference (e.g., luxury and prestige brands).
4. Understanding. This refers to how well customers understand and believe in your point of differentiation. Understanding also represents an important diagnostic indicator of brand health. For example, when customer esteem for a brand falls below understanding, it means that people know you but they don't like you. If they don't like you, they won't buy your product.
The most powerful brands intertwine the two strings and the four pillars into one massive “mixture” by directing the customer interaction toward the desired image through brand activity and supporting by the strategies. In the second main part of the assignment, this theory will be applied in practice to provide recommendations for Decathlon Hungary.

3.8.1 Brand activity

Some brands take much more initiatives to lay down the foundation of their reputation than other ones. This is not only about investing more money, but also the question of how well and consistently the company is using its past. But obviously, similarly to products, brands must have to change with time. For instance, nobody can expect from Audi to produce the same cars as five years ago. But then, is this a product or brand renewal. The answer is undoubtedly: both of them – as there are brands (mainly with higher technical value) which represent the latest innovations. On the contrary there are brands which rather keep to traditions, consistency. Everybody want to have the same tasted Cadbury’s chocolate without no change for decades. However, we should not think that Cadbury’s brand managers were sleeping in the last 25 years and will sleep till the end of times.

A sponsoring contract, a road show and PR also serves the intensification of a product’s emotional charge. Let us think about the interlocking of several sport events with some cigarette brands (mainly in the 70’s, 80’s) which was more than a simple advertising campaign. While some people started to believe that cigarette is something useful for the society because of the emotional projection for the special event, others were reassured by the pleasant associations of the brand concerning their (bad) habit, smoking.

There are brands, of course which are ease without any promotion, advertising, and live on the heritage of previous brand manager generations’ work. For this they do not need significant budget, but if they do not need advertising at all...

But if one day, a new brand, full of energy and creativity is entering the market, continuing the later “strategy” will mean the death of that brand in the short-run.
3.8.2 Customer interaction

There are a lot of brands which spend millions of dollars to foster the initial contact with the customers, but with very little result. It seems that certain brands have more affinity to induce customer reactions and emotions. The causes of this are not due to the higher budget, but to the circumstances of the consumers, and that to what extent these circumstances affect the perception of the buyers.

We can love the brand Gucci, if we have enough money and we want to show how successful we are; it can be indifferent for us if we have only the resources to buy an average pair of shoes; but we can even hate that brand, if we do not have money at all, and we reject snobbism. But of course, without any money we can also dream of having a Gucci clothe. The connection between the level of income and the brand identity is very complex, and in this reside one of the most essential component of brands – the aspiration.

There is not always a strong correlation between the buying behavior and the wealth of a consumer. Prosperity – as a lot of other things - is subjective. More people have BMW car than normally should afford such an expensive car, but if they are once persuaded that they can buy it...

The ‘aspiration factor’ has a determinant role in brand image building. If we just think of the teenagers in some poorer districts of whatever big city, wearing Nike, Levis, and Tommy Hilfiger as a symbol of a status that they will probably never reach.
3.9 The positive circle of a good brand

The brand activity formulates the nature of the consumer interactions. The two factors interlock into one positive circle resulting in a strong brand.

![Figure 5. The positive circle of a good brand (own figure based on Cheverton: Márkaimázs felépítése, page 2.)](image)

The key term in this model is “the brand is learning”. Brand activity and consumer interaction is not enough itself. In building a brand the biggest challenge is the recognition of their interconnections, which can lead to competitive advantage.

3.9.1 The brand as the exhibit of the competitive advantage

With the help of the brand, the company can illustrate the most important objective of marketing, which is the effort to reach a unique competitive advantage. Peter Cheverton’s illustrative definition of marketing’s objective and practice looks the following:

![Figure 6. Goal and practice of the marketing](image)
“Marketing is the conciliating process between the company’s abilities and the market needs in order to reach the competitive advantage” The abilities refer to the current performance of the company or its potential, while the market needs can be real or latent- which can be brought to surface with few actions. The task of the marketing manager is to harmonize these two things, and which is even more important to do it more efficiently and quickly than the competitors. More unique this harmonization is, greater is the chance to reach the competitive advantage. No advantage or benefit arises from a solution which can easily be imitated and then realized with lower costs by the competition. The brand has to be unique in all its aspect, not only a “facial make-up” otherwise chances are that it will fade away very soon...

4. Brand recognition

4.1 The various types of brand recognition

The measure of brand recognition is a percentage of the consumers who know the product and at the same time can identify that product category as well. For instance, Peter knows Marlboro and knows that is a tobacco product. Consequently, brand recognition is more than just a simple impression about the brand, but at the same time it is less than brand image, which is rather the sum of different associations, value judgments, and appearances.

According to the model of D.Aaker and J. Lendrevie, we can distinguish three types of brand recognition.

The first one is the supported brand recognition which represents the percentage of customers recognizing a concrete brand out of a group of brands. If we want to ask a question to research this kind of recognition, we will probably ask: “Which brands do you know from the following list?”

The second is the spontaneous brand recognition which is the percentage of selected customers who are able to define the brand by their own effort. In this case the researcher would ask an open-ended question, like: “Can you list all the soft drink brands you know?”
The last and most powerful is the *top of mind brand recognition* which can be called first-rank spontaneous brand recognition. In this case the processing of the answers given to the previous question will be complemented by the analysis of the ranks of the different brands. So, the percentage of the selected customers who are mentioning the brand in the first place will be taken into account.

### 4.2 The pitfalls of measuring brand recognition

It can sometimes happen that not enough attention is devoted to the possible mistakes of the different research methods; however these can cause serious distortion in the result of the investigation. For instance the supported recognition of a brand can be influenced if it holds some signs of another brand (see Mr. Proper, Mr. Muscle cleaning substances). The analysis of the spontaneous recognition is much more problematic than that of the supported brand recognition. The recorded results depend heavily on the formulation of the questions, even more when the questions are modified from research-to-research. We will probably get totally different answers if we want to research the recognition of the Unicum brand (famous Hungarian alcoholic drink) with the following questions:

- What kind of spirits do you know?
- What kind of aperitifs do you know?
- What kind of virtuous plant contained aperitifs do you know?

It can be that Unicum will not be on the top of the mind recognition for somebody in case of the first question but very surely for the third question (or at least in Hungary).

When analyzing the measures of brand recognition we have to take into consideration the nature of the questioned medium, depending on the target of our research, whether it is the consumers, the potential users, or everybody. We should mention here that the spontaneous recognition may disappear very quickly if the communication activity ceases, so the timing of the measurement of recognition is very essential. The fluctuations in the results of analyses are to a great extent due to its timing compared to the advertising campaign or launching.
4.3 The anomalies of the different types of brand recognition

We will see now that every brand recognition measure has a distinct characteristic, “way of behaving”. There will be more answers from customers in case they are helped with multiple-choices than if they have to recall from their memory, which is more selective. An average consumer can list three-four brands from a category of products, unless he is a competent or adept in the particular field. This means that reaching a brand to be on the cognitive level of the mind of consumers entails the dismissing of another brand. The spontaneous recognition just like the top of mind react very quickly to the communication efforts made the by brand management teams, but it decreases as fast after the end of the campaign. The spontaneous brand recognition is only a momentary indicator, while the supported recognition is more consistent and requires less up-to-date information from the consumer.

4.4 Choosing the right brand recognition indicator for our brand.

Most of the time the supported brand recognition is more emphasized by the researchers as it gives more favorable results to the client company. It depends on several aspects like the nature of the product, the buying behaviors of the consumers, the types of distribution channels what brand recognition measure is accurate for a particular brand. It can easily be that for a company the supported brand recognition is more important than the top of mind, because it is less costly and the positioning of the brand does not require that and is not in line with the company policy. Big multinational FMCG companies have many different brand in the same product category as well (ex: Procter & Gamble), so it is useless to spend millions to reach top of mind recognition for even the low-tier segment brands.

Let us take two examples to demonstrate the importance of the right choice.

1. A beer brand, which can mainly be bought in hotels, drink bars and restaurants needs strong spontaneous but even stronger top of mind recognition. The point is that the guest can order that beer without consulting the list or thinking about his choice for seconds. “Waiter, bring me a Heineken!”
2. On the other hand, for beers which are massively present in shops as well, supported recognition is enough. If the consumer has some knowledge about the brand and its image have strong distinctive signs, chances are that they will more easily recognize and obviously buy that brand.

The supported brand recognition becomes interesting when a brand product with low consumer interest is concerned. The recognition of a conserve or bulb brand is already enough to complete a purchase. Brand recognition is frequently associated with the good quality; it expresses a feeling of security or familiarity. And when there are no other criteria to influence –especially in case of convenience goods- the buying behavior, a solid recognition can do the business for the company. If we want to draw the lesson, we can state that when the supported brand recognition is strong (over 60-70%), the tracking of spontaneous recognition is more relevant, but if a brand is in a market leader position, or at least among the first three ones, then the top of mind brand recognition will be adequate.

5. Introduction of brand equity

5.1 Definition and measurement of brand equity

“The brand can add significant value when it is well recognized and has positive associations in the mind of consumers” This is called brand equity – which is one of the most important marketing concepts.

Also brand equity is an intangible asset that depends on association made by the consumers. The marketing theory differentiates at least three perspectives to approach the brand equity: financial, brand extension, and consumer-value based.

- Financial perspective refers to the price premium that a brand gains over a generic product. For example, if a customer is willing to pay $100 more for a branded camera than the same unbranded one, then this premium provides important information about the value of the brand. Even if it is just $10 more, but still means more value than other unbranded ones. However, expense such as promotion cost must be taken into account when using this method to measure the equity of the brand.
For example, Intel is one firm that tracks its price premium. Every week, researchers are in computer shops asking people how much of a discount would be needed before a customer would feel comfortable buying a personal computer without the label “Intel Inside”. As a result, Intel has a continuous measure of its price premium, which can be used to evaluate marketing actions and to monitor the overall health of the brand. The only one minor problem with price premium is that it is defined only with respect to a competitor or a set of competitors. Thus, in a market with many different competitors, several sets of price-premium measures will be needed, which will obviously complicate the research and increase the related costs as well, but on the other hand will give much relevant results.

- Brand extension: A successful brand can be used as a platform to launch related products. The benefits of brand extension are leveraging the existing brand awareness thus reducing advertising cost, lowering the market risk. Moreover, a successful brand extension can enhance the image of the core brand therefore increasing the value of the brand. But it is more difficult to measure the value of brand extension directly than the method of financial measurement, as the effects are much less tangible than in the latter case.

- Consumer based: High brand equity provides a company many competitive advantages. A powerful brand enjoys a high level of consumer brand awareness and loyalty. Because when consumers expect the retailers to carry out the brand, therefore the company has more leverage in the bargaining with seller. Also because if the brand name carries out high credibility, the company will not have to put so much effort in launching line and brand extension. Therefore, a powerful brand offers the company some defense against crude price competition. Assuming that the customer is the final user at the same time then it has so much influence both on supplier and retailer side, we can conclude that the fundamental assert underlying brand is customer equity.
5.2 The analysis of customer-based brand equity

Keller introduces us the concept of customer-based brand equity (also called CBBE model) in order to make clearer how brand equity should be built and managed. By analyzing this model, the needs of consumer can be discovered and studied more in details, enabling us to stake a further step to find satisfying solutions for them.

The CBBE model is basically about finding what customers have learned and experienced over a certain period of time. The formal definition of customer brand equity is:

“The value of the customer relationship that brand creates”
- Keller, Strategic Brand Management (1998)

When customers have more positive feeling toward a brand than other toward no-named product then positive customer-based brand equity has been achieved. A branded product must be different in sense from a commodity. Keller formulates it like that:

“The different effect that brand knowledge has on consumer response to the marketing of that brand.” (Keller, Strategic Brand Management, p.246)

The phrase “brand knowledge” here means that what customers have learned and experienced about the brand. The “customer response” can be understood as consumer’s perception of the brand marketing activity.

5.3 Consumer-based brand equity pyramid

In Keller’s associative network memory model (source: www.fek.su.se/aktuellt/ICAstip2004IngredientBrandingAStrategyOption.pdf, 17th November 2007) it is shown how brand knowledge exists in consumers’ mind and states that brand knowledge is the core to create brand equity. The model also describes how brand knowledge exists in consumers’ memory. Furthermore, brand knowledge can be divided into brand recognition (which we already discussed in its details) and brand image, which is to be discussed in the coming part.
When a customer has high awareness, he or she also recognized the unique features of the particular brand and also having strong related associations, therefore customer-based brand equity is built. The CBBE model enumerates four different steps which are necessary to build up a strong brand:
- Establishment of brand identity
- Creating proper brand meaning
- Building up brand response
- Forging brand relationship with customers

There are six blocks in connection with customers that must be executed in order to fulfill the CBBE model’s four prerequisites. These are: Brand salience, brand performance, brand imagery, consumer judgment, consumer feeling and consumer-brand resonance.

- **Brand performance** is referring to the physical product, the core of the brand. Because the products link directly to customers and its performance will have an impact on what customers think about it. It is at the same time the heart of the brand equity. The right hand “building rock” of the brand meaning level is brand imagery, which associates with how the brand meets the psychological and social needs of consumers.

- **Consumer judgment** is the way how customers react to the brand performance and meanings. The types of brand judgment are quality, credibility, consideration, superiority.

- **Emotional response** can be other word for calling the brand feeling. With customer-brand resonance is described the extent of identification with the brand and also the most valuable building block. Once this level is achieved, it can bring huge benefits for the enterprise to enjoy high price premium revenues and from the customers they can expect a high degree of loyalty toward the brand. It is vital to measure a brand, because the strength of a brand depends heavily on the thinking and feeling of consumers in respect to the brand.
6. Brand Image

6.1 Theoretical analysis of brand image

In the followings the different concepts, definitions will be analyzed which are necessary to understand the essence of image and to provide background for the research in the practical part of the paper.

Image is defined as the sum of all thoughts, associations of ideas which are connected by the person to a particular product, brand, company, person...

We can distinguish three main types of image:

1. *Perceived image* is the common interpretation of image, and is the picture the target group is having about the brand. This is the most important type for marketing persons.

2. *Desired image* is equal to positioning in marketing practices. It is a strategic intention according to which the perceived image has to be positioned in the range of consumers’ idea in the way the company wants, all this distinctively from the competitor brand’s image.

3. *Presumed image* means the picture the company has about the image the customers, users perceive actually. Thus, there is usually confusion between the different type of images the customers can have and the company may think. In order to prepare a necessary modification or refinement of image, the differences between the types of images have to be investigated.

6.2 The role of image in the life of brands

But why it is necessary to deal so much with image when talking about brands? Lot of people tends to believe that this matter is only a time-killing activity for the well-paid marketing and communication experts. In reality it is much more and helps a lot the top management of the company to take strategic decisions about the future development or even the abolition of a brand.

Brand image helps the consumers to process the information (technical, advertising), as image is the abstract of all impressions. It is a simplifying procedure which fosters the recognition of the brand, the additional purchase, and the development of brand loyalty. Furthermore, it differentiates and positions from competing brands, gives
reasons to purchase or to rejection, valorizes the personality of the buyer as we already saw previously in this paper, and enables the brand extension.

6.3 The methodology and techniques of analyzing brand image

The investigation of image – so the analysis of a very rich structure composed of dense associations of ideas, what we can call brand connotation, image features- can be separated into three phases: data collection, data analysis, and the visualization of the investigated images. We need to go through the different steps as the recommendations for the company-problem (see Part II.) will be based on a research to which we are going to use this methodology.

Data collection

Before listing the most important methods of investigating image, we have to mention that most of the companies do not analyze meticulously their own brand image. It is enough to highlight the significant features which influence the most efficiently the consumer attitude, and to contrast it with those of the competitors’.

We distinguish two main techniques to analyze the brand image: qualitative and quantitative

The qualitative techniques try to understand and research, and not to measure and quantify. In this case, the research is done in small -statistically not representative- groups which are nevertheless enough significant to give us big trends, which can be then investigated quantitatively. In case of qualitative (group) research the character of the researcher is essential, just as the role of the sociologist who will interpret the observed discussion.

If we speak about the quantitative techniques, there are huge samples as these have to be representative, and the character of the researcher is not so important.

We can distinguish from individual to collective techniques and from direct and indirect techniques, but the aim of this dissertation is not to give back the materials of a market research course, so the features of each method will not be discussed here, nevertheless they will be used in practice in the second part of this assignment.
7. Trademarked brands vs. private labeled brands

It is essential to clarify the concept of trademarked brand, own labeled brand, and no-name brand before we go to the discussion of retailer’s own brand. In order to understand nowadays branding trends we have to be acquainted with these notions. I chose to discuss here – and not before- the main categories of brands to provide a smooth transition to the Part II. of this dissertation.

As the company under investigation in the Part II is a big retailer company, we will analyze the brand categories from the aspect of the behaviors and objectives they requires from the retailing company.

7.1 Trademarked brands

These brands –usually patented and legally protected- are “wearing” the distinctive signs created by the manufacturing company. It can be a name, logo, font, symbol, which are used to differentiate from the competitors, and that the customer can more easily associate the product with its manufacturer. The typical features of such brands are:

- Consistency in the appearance of the product, no frequent changes in packaging.
- A constant level of quality, with intermittent improvements
- High awareness of the target group reached by intense advertising
- Extended availability through all distribution channels
- Power to enforce the retailers to keep that brand on the shelves

In spite of all these features, from a market point of view it is very difficult to identify what makes a product branded or not. In short time, probably only in the field of FMCGs can a new product succeed. Products which are created to satisfy broader customer needs and themselves created new needs as a result of innovation have the chance to be designated “brand” in the short run. But as we could see earlier, a well built brand loyalty can decrease the threats caused by the competitor innovations. With the use of branded products the company can ensure the long-term, continuous sales; the positive associations; for a while the protection from copying; and the most important, the assuring of subsequent purchases which
prevents the consumer from the burden of looking for alternatives. Branded products are guarantees of good business for retailing companies, and to some extent exempt them from advertising that particular brand, as the manufacturer will anyway promote it.

On the contrary what causes problem is the fast increase of trademarked brands which does not facilitate the perspicuity of the offer and the orientation of the customer. Another actual process is that based on the success of one single product, the manufacturers develop whole families of products which will lead to the congestion of stores and the confusion of consumers.

7.2 No-name brands

Products without any brand signs are called sometimes “white products” or “no-names”, as they are commercialized with very simple appearance, usually in one-colored packaging. This kind of products first appeared in 1976 in the shops of the French distribution company, Carrefour. The idea was adopted by the Americans, then the Germans as well.

The criteria of being a “white product”:
- The consumer has to know the physical product itself, and the needs it satisfies. It can only be a product which can be sold in self-service and does not require explanation.
- Consumers need this product on a day-to-day basis; it does not have a substitute.
- The market of this product is saturated, the demand is inelastic.
- The packaging is more to highlight the favorable price, rather than to attract attention and create fashion.
- The product is always available on the shelves.

7.3 Retailers’ own labeled brands

It is evident that there is serious competition between the different manufacturers to gain market share, but the same tendency can be observed in the case of retailing companies. This competition forces retailers to develop a special profile, mainly with
their product choices. This results that more and more retailers try to launch their own brands. We will see that this is not only valid for simple, everyday purchased goods, but for technical products as well.

According to a German survey (Unger: Konsumentenpsychologie und Markenartikel. Heidelberg, 1986) it is important to take into account the following findings when we want to evaluate the role of retail brands:
- Consumers consider cheaper the own labeled brand than the matching trademarked brand
- They consider it as middle quality while trademark brands as high quality products.
- Consumers buying retailer brands are more price-sensitive and prefer standard quality.
- Consumers are less loyal to retail brands.

When this survey was done in 1986, these findings were probably relevant, but in 2007 we cannot state the same. One of this paper’s missions is to prove that there are own labeled brands which take the challenge of satisfying the needs of the most demanding consumers and can even defeat trademark brands.

To sum up the relationship between the level of branding and the assortment we can have a look at the following illustration:

*Chart 1. – The connection of choice and level of branding* (source: Törőcsik Mária: Kereskedelmi Marketing, page 174.)
7.3.1 The spectacular emergence of retailers’ own labeled brands

The fact that retailers are commercializing other companies’ brands tends to overshadow that by these times they also became the world’s biggest brands. Welcome to the era of private labels...

The brand managers of the big FMCG brands behaved in a superior manner with the retailers, and considered them for decades as one of the numerous channels of distribution. When retailers took the initiative and risk of launching products under their own name, these attempts were not taken seriously by the “traditional brands”, arguing that these products are not brands in reality. It is true that we can evoke very few success stories from the early period of own labeled brands. The quality was very variable, mainly because of the constant changes in producers and suppliers. No continuity or consistency at this period. By the beginning of the 21st century a big majority of retailers narrowed their choices on their shelves to the leading brands and their own substituting brand.

The own brands become more and more significant on the market, but the managers of the brands with trademarks did not bother of this rise of significance. When the follower brands (second positioned) had been expelled by the “two-brand” strategy of retailers, they considered this as the victory of the market leader brand. But was it not rather the victory of the strengthening retail brands?

When the own labeled brands of retailers became the main competitors of “normal” brands, a new dilemma emerged: the biggest clients of brands became at the same time their major competitors as well. It is now especially true with the significant improvement of quality, reliability and the more and more stylish packaging. Other new phenomenon in trade is that in most of the cases trademarked brands are no more allowed to place POS materials, displays, or other sales-boosting communication materials in the shops. As a direct consequence the competing commercial brand will be placed to a more favorable environment within the shop. This is usually why retailers place their own products to the best and most visible places, arguing that if these traditional brands are so popular and demanded by the customers, they will probably take the effort to look for that particular product.
Not so long ago retailers were considered as the masters of stock management and merchandising, while brands as the experts of consumers. Retailers used to accept without any reserve the result of the market researches performed by the brand managers and adjusted their offer according to these researches. All this belongs to the past with the data gathered by the joint use of fidelity cards and sophisticated till programs. The big retailers use these data to better understand their customers and more efficiently position their brands.

It seems nowadays that the own labeled brands break out from the image of the cheap, poor quality, substituting product and are on the way of developing based on their on values and innovations as we will see later in the practical part of this assignment.

7.3.2 The end of trademarked brands?

The great question is that the undiminished rise of own brands will lead or not to the decline and finally the end of trademarked brands. Probably not, assuming that the producers take the challenge and formulates their brand according to that. Consumers have definite expectations about the choice of a store, some favorite or new products can simply not be missed out otherwise people will go somewhere else. In that sense a shop without Coca-Cola is like a pub without beer.

Consumer brands are still stronger than retail brands but only up to the point they understand precisely the needs of their target group, they innovate and are willing to promote their achievements. Despite of that a lot of brands are unable to react to the changing environment and still tend to think that a successful brand and enterprise is only a matter of money invested in the promoting campaign. The following chapter and the case of Decathlon Hungary will confirm the raison d’être of the latter statement.

8. Marketing communications in the retail sector

In this part of the thesis work I am examining in details the marketing communications of retailing companies, as the Part II. of this paper is mainly about applying this theory into practice. Firstly, I am writing about the communications objectives, which is followed by the process of communication in general, including
the multi-step, multi-phase communication model. Then, I am presenting and analyzing retailers’ communication channels; and the last main topic in this chapter is the issue of below-the-line (BTL) and above-the-line (ATL) activities.

8.1 Evaluation of the most widespread communication-process models.

The primary—but not the only one—purpose of marketing communication is the conviction of people to buy the company’s product or service. But since people have different relations with a particular offer (and also with the enterprise itself), the objective are more complex than it seems from the first reading of the above statement.

There are several ways of examining consumers’ relation to the product or service, with various aspects on the stages of persuasion. The two most widespread models, AIDA (Awareness, Interest, Desire, Action) and DAGMAR (Defining Advertising Goals for Measuring Advertising Responses) have four main steps. Obviously, in real life the situation is more ambiguous, below I am evaluating both models, and later in the thesis work I am referring back to them.

![Figure 7 The comparison of AIDA and DAGMAR models (own figure)](image-url)
Before any kind of communication process the customer does not know anything about the product or service, it can be regarded as the stage on unawareness. With successful communication, people meet with the company’s offers or the image of the enterprise itself – so they will get to the first stage of acquaintance. The AIDA model places only awareness here, while DAGMAR differentiates between attention and knowledge.

In my opinion, it is not so important to distinguish between awareness and knowledge, because even those customers can get to the next stage who do not know much about the retailer and what it offers, but have already heard something about them.

The following one is the affective stage, according to which the next aim of the company is to form users from those who are aware of the offer or the firm itself. In order to achieve this – according to the AIDA method- their interest should be aroused, and the firm’s product or service should be the subject of their desire. The DAGMAR model has three steps in this stage: making customers like what the company offers (liking), then achieving their preference. So far, the first two steps – interest & liking and desire & preference (together called comprehension) – coincide in the two models, but DAGMAR has one more step just before the aim, when customers are committed to the offer: it is called the stage of conviction.

I think that in our case DAGMAR is the more relevant model, because the desire or preference does not necessarily result in becoming the customer of a specific retailer. The reason of this relation of consumers with offers and with the enterprise itself can be volatile or may become inactive, so these sensations need to be confirmed and deepened. The frequency of this confirmation and intensifying activity highly depends on the product group the firm is involved in. This matter is examined more profoundly later.

The outcome of the company’s work is the fourth, behavioral stage, where customers’ action, the purchase takes place.

But having a lot of customers in the fourth stage is not a reason for being completely satisfied, because it is essential to keep them, to achieve repeated sales, and maintain as long-term contact with them as possible. This activity can be regarded as the fifth stage. However, the repeated purchase hinges on the product category, because the
visit frequency and the strength of customers’ loyalty are different at the various retail categories. For instance we do not purchase HIFI-equipment every week, but on the contrary we need to buy hygienic paper every second day.

There is one further phenomenon beyond loyalty: with strong trust, people’s commitment can be so significant that they rely on the particular company even on areas outside of its core activity. This is called generalization. It can be a splendid soil for the diversification intentions of the enterprise. Operating in more industries means multiple dimensions for gaining profit. In addition, it has several other advantages of being present in different, but closely related domains: it does not only result in further revenue, but certain level of economies of scale as well, as working with the same partners (suppliers, forwarders, consultants, agencies, maintenance etc.) means sensible cost saving, which will at the end have a benefic effect on the retail price too. I think Tesco Plc. is the best example for this kind of diversification. Apart from their main field of activity (retail trade, distribution), they are also present in providing insurance services, petrol station, telecommunication, etc.

It is worthwhile to be acquainted how the process of communication takes place, so in the next part I am dealing with this topic, which is followed by the investigation of the communication means of retailers, examining which tool fit into which above-mentioned stage.

**8.2 The model of marketing communication**

The simplest model of communication, which is the basis of all, more complex communication processes, and is usually the foot-stone of every communication related subject in academic courses, is the following: sender-message-receiver. Even from this simple model we can conclude two fundamental facts for marketing communications: firstly, a characteristic and substantial message has to be delivered, secondly the number of receivers is also of critical significance.

Although this model is too simple for presenting real communications: on one hand, perfect transmitting conditions, which is assumed by this model, do not exist in real life. There are various things distracting, deforming and altering the message, for
example psychological factors or the elements of the so called “noise”. This notion may refer to all factors that fade the message, including other advertisements and poor reception as well. On the other hand, we have to take feedback into consideration, since it is vital for the sender how the target audience receives the message. Additionally, in marketing usually mass communication is applied, so instead of one receiver, we should involve several receivers or groups of receivers.

Finally, we have to include the observable fact that receivers share their opinion using the channel of word-of-mouth. That is to say, consumers convince each other to buy or not to buy the company’s brand. It is a well-know concept that negative experiences are shared with more people than positive ones. Philip Kotler says: “Bad word-of-mouth travels further and faster than good word-of-mouth, and can easily poison opinion about the company”. The reason is that firstly: the good is the normal and expected, and people rather share extraordinary experiences, secondly: it is much more difficult to over-fulfill than to under-fulfill expectations.

There are some key differences between the word-of-mouth of services and of products. From one side, services are intangible, and thus people rely more often on others’ experiences. But despite the fact that people ask each other’s opinion, it is not always the best solution to trust them deeply, because the perception of service quality is very subjective; the style, the taste and even the actual mood of a customer can influence the degree of satisfaction, much more than in the case of physical goods. There is no exact measure for politeness, helpfulness etc., while in case of a product it is markedly visible and can be experienced whether it can serve its purpose or not, how durable it is and so on. Nonetheless, services have some measurable factors, in case of retailers queuing time at the tills, response time at inquires are of vital importance. Service providers and also retailers aspiring for market leadership have to keep these objective elements on as high level as possible, this way they can satisfy customers to a greater extent, and as a result of this, quality perception of subjective factors might improve too. In the absence of exact measures, customers’ perception is the only scale of quality, that is what drives positive or negative word-of-mouth.
Those who fulfill the main opinion sharing role in the model are called opinion leaders; they can be of course “simple” customers, but journalists, celebrities as well. Customers can become opinion leaders either spontaneously by telling other their experiences, feelings about the brand (natural opinion leaders); or also the company can select a customer or a group of customers, whose task is to convince others about the advantages of the offer (artificial opinion leaders).

I had the opportunity to get an insight to a similar way of communicating, reaching the customers, when I worked as a trainee for British American Tobacco Hungary (BAT). As it is known that the mass advertising of tobacco products is restricted to the point of sale communication, the concerned companies have to find other ways. To promote its premium brand cigarette, Kent, the company appointed so called trend amplifiers, whose mission was to visit fancy places (restaurants, discos, pubs) with their company Mini-Morris car, clothed in company-provided Versace and beside that of course smoke spectacularly Kent and propose the trial for the target group. These trend amplifiers were trendy, young people who can be regarded as example in high-society, thus inducing the aspiration factor in people who saw them. However I should mention here that the campaign was not a success for some reasons and cost a fortune for the company.

The lesson from the failure was that the credibility of opinion leaders is vital, as a character that is inconsistent with either the promoted brand or with the message can cause serious damage to the image of the company. This is why I perceive natural opinion leaders more trustworthy and credible. With all these additional elements, we have got the multi-step, multi-phase communication model.

In all forms of their marketing communication, the aim of retailers is to attract potential customers into their stores. For the sake of success, they use many different channels to reach as wide target audience as possible.

The encoding of the message firstly depends on the channel it passes through, and secondly who are targeted. The spine of the message is determined by the nature of brands offered, the type of the business etc.

The role of opinion leaders shows a wide variation in the different divisions: for example sales of sports accessories and fashion goods can be boosted by some
carefully chosen opinion leaders, while for instance hypermarket chains have few possibilities to form people’s opinion with this marketing tool. However it would be interesting to make a try: imagine Madonna emphasizing the advantages of buying own-labeled bean-conserve in Tesco. Obviously it is not going to happen soon...

There are various forms of feedback, for example surveys done by poll institutes, or investigations done by retailer itself. One of the most visible “feedback” is the turnover of the enterprise, however it is influenced by many other factors besides the effectiveness of the message, like competitors’ offers, stock availability and so on. That is why profound conclusions cannot rely only on sales data.

8.3 Channels of communication in the retail business

As it is stated above, retailers communicate with consumer side of the market not in a spontaneous way, but keep continuous contact with them. This takes shape in a lot of ways: from regular print and broadcast advertisements through promotion leaflets to in-store displays and product demonstrations. I am examining these channels, their aims, benefits and downsides. I have decided to divide the function of advertisements to three categories:

1. *Image building*: Those ads belong to this group which are intended to improve or even build-up the retailer’s image, and do not refer to any particular offer. They often deliver some new information or message from the company, and it can be a cogently repeated new slogan as well.

2. *Image maintaining*: I include those advertisements in this category which task is to keep the retailer’s name in the everyday public knowledge. The colors, the slogans, the visual logos are the typical means of this task. These ads often approach people’s mind through subconscious.

3. *Offer based ones*: This group contains all advertisements that promote a particular offer. They regularly fulfill any or both of the other functions as well to some extent (ex: strengthening the image of “the cheapest retailer” by emphasizing the uniquely low prices) but their main field spreads from the awareness to the conviction on the communication process model.
In the detailed examination of the marketing communication channels, which are necessary to be overviewed before analyzing Decathlon’s strategy and giving recommendations, I am referring back to these three basic categories.

**Television:** The television used to be the most visible and most evident channel of advertisement. It is still able to reach a tremendously wide audience, but its importance has decreased due to the high variety of (thematic) TV channels, the unnecessary high cost of also reaching people who are not target of the message and the ‘ad blindness’ of spectators. This latter means that people pay much less attention to these adverts than before, many are receptive only to those spots that have some extraordinary features. That is why we can see less and less long-term advertisements, only a few are on the TV-screen for more than a year. All these factors and the extremely high cost of producing the spot pushes the emphasize of its function towards actual offers and image building.

**Radio:** The irreceptiveness to radio adverts is much higher than to television ads. The reason is that people usually listen to radio as a secondary or background activity besides working, driving, reading etc., while watching TV is generally an active occupation, of course not from a physical approach. Me, personally I do not appreciate when the music on the radio is intermitted by ads. On the other hand, as radio is often listened at public places, there is no possibility to escape from ads to other channels like in the case of TV. The radio is rarely used for image maintenance, it nature enables it to be a good channel for image building and to promote special offers.

**Outdoor advertising:** This channel includes all adverts that can be seen on the street: billboards, city-lights, vehicle-ads etc. With appropriate design, they can easily attract people’s attention, so they can highly improve the image of the company, though after a while even the most eye-catching outdoor advertisement becomes unimpressive and dull. Because of the frequency of outdoor communication materials meeting with people, this mean is able to drill messages in the mind of the
audience. Since people receive outdoor ads passively, the message should be clear and straight. Their primary field of use is for image maintaining and offer publishing.

*Promotion leaflet:* Mainly large-coverage retail chains distribute such leaflets in the relevant residential areas, in which they communicate the best promotional offers to consumers. On the front page, always the best offers are displayed, which can capture people’s attention due to their price sensitivity. Its advantage is that besides letting know the prices of a number of products, it also makes the image of the retail chain stronger. Moreover, leaflet-products often have an appeal of being cheap, even if their price, in fact, is not outstandingly low.

The drawback of this tool is that those target customers whose is not grabbed will probably not open it, and they will not meet the promotional offers at all. Another inconvenience is caused by the NGOs fighting for environmental protection. They heavily criticize retailers of distributing leaflets mainly in vain, which causes the death of a vast amount of trees. The leaflet has two main functions: the front-page offer has to attract those consumers to the particular retail entity who have no preferred chain. The aim of the other pages is to confirm the message of the front page. In my opinion, this is the step that we identify as “conviction” according to the DAGMAR formula – it is more than the “desire” stage in the AIDA model.

The promotion leaflet has a passive image strengthening effect too: if people just throw it away after taking it out of the mailbox, anyway they see the company logo, and the front page with the best offer. The type of the leaflet primarily depends on the nature of the retailer: its price or quality orientation, the product group it is involved in etc.

*Newspapers and magazines:* Advertisements published in newspapers and magazines can fulfill any of the three basic functions: they can not only deliver simple image maintaining messages and promotional offers, but they are also capable of improving the mage of the enterprise. Since people generally read newspapers and magazines as a primary activity, they are much more receptive to information and to profound messages than the target audience of radio or billboard ads.
Throw-away leaflets: These are the small leaflets distributed at public places, left on cars’ windscreen etc. Nowadays this channel has a very slight potential of arising interest, though it is a very cheap solution. Mostly small retailers and service providers advertise themselves in this way – those who cannot afford genuine ATL measure.

Direct marketing: Direct marketing is among the most important channels, though in retailing only a few multilevel marketing type of business apply it. Only a very few “traditional” retailers use this channel and to a very limited extent (car dealership when launching new models, Shell for its fidelity program...). I think nevertheless that direct marketing has a huge potential in retail business as well, as the till programs of shops know everything about the customer, starting from their favorite beverage to their average basket. Assuming that a kind of loyalty card is used and the marketing people of the retail company is targeting the customer with only relevant information...

Promotions: It is a commonly known fact that Hungarian consumers are highly price-sensitive; the demand is very price-elastic. Therefore one of the most important tools of retailers is their price level: most of them offer as attractive prices as they can, and there are constant and periodic promotions. Although there are some areas where price cuts have negative effects: these are usually the highly prestigious or technical goods, which could lose their exclusivity by price promotions.

Just to mention an example from my experience in Decathlon. After the seasons of summer, a highly technical bike jersey’s price was cut by the headquarters to 20% of its original price (from 11,900 HUF to 2,990 HUF). As these central price cuts are only recommendations not all the shops have to follow them. After consulting with my store manager, we decided not to adopt this price and set the price to 8990 HUF. I think cutting the price so dramatically on one hand gives bad habits for the customers, as they will always wait for the price cuts, and will be unsatisfied when there is any; on the other hand it is deteriorating the image and the value of the brand, as everybody can then buy it. Not to talk about the feelings of those customers who have bought that jersey for the original price a few weeks before.
Indeed the price cuts are positive for the image of the retailer, but not for the sold brands. And if the brand is belonging to the retailer, then the severe price cuts can have a “kick-back” effect.

For bigger chains this toolbox includes the previously mentioned loyalty programs as well. Loyalty cards are very popular nowadays, in Hungary too, more and more companies create their own membership programs (Libri, Mol, Taxi companies...) or join to existing ones (Smart, Supershop). In the case of such loyalty card programs customers feel some sort of benefit and saving at each purchase. With this type of membership programs, retailers can attract non-committed or hesitating people, rival chain’s customers, and might make them their returning or even loyal clients. However, the implementation of such countrywide program requires huge investment – establishing the technical background, the data register system, processing software- and staff should be recruited and trained to manage this new mechanism.

In store advertisement tools: From our perspective it is one of the most important tools, but I intend to deal with them more in details in the Part II, from a practical aspect, and showing examples. This category includes both audible and visible elements, the task of which is to call customers’ attention to promotions, new products, innovative designs and so on. It strengthens the overall image of the low price level or the high degree of quality or both of them at the same time, if it is valid. All in-store communication materials are designed and placed with great care, because their too high number decreases their effectiveness and confuses the customer.

Shelf layout, shelf-communication: One of the most important tools of retailers is their shelf-communication. From the products’ layout on shelves through the goods’ facing size to the shelf-labels, each thing has its own function of communication. Generally, the standard shelf layout (arrangement of products on the shelves) is formed to indicate the price category of goods, but varies slightly from retailers-to-retailers.

Staff: The position of sales workforce depends on the type of retail activity. Some products (ex: electronic appliances, sport equipments...) demand much more pre-
purchase information than others, so the product category substantially determines the role and the responsibility of, and obviously, the requirements from the sales team. A good conviction policy by the staff is very useful, but within certain limits—too many advice might have negative impacts even on the image of the company. Not only sales staff is an important cogwheel in marketing communication of retailing companies, but the customer service as well. A polite, helpful manner has a clear message that customers are taken care of, which does not necessarily results in loyalty, because people expect—completely with reason—proper treatment from the retailer as a minimum. That is why it is critical for the chains and stores to meet these basic requirements.

*Special events:* Bigger retailer companies have the possibility to fix up either self- or supplier-organized happenings, such as shows, sport events, concerts and so on. Besides entertaining ones, there can be events that customers feel useful or convenient. Specialized retailers usually organize events that are in close connection with their scope of business, while multi-focused chains (supermarkets, hypermarkets) rather provide place for supplier activities—road shows, hostess promotions—from which both the retailer and supplier benefit. These happenings convey a tacit positive image about the retailer, which can improve the overall picture of the company, and might even strengthen loyalty.

*Internet:* The internet has brought a whole bunch of new channels in the recent years, which amply fulfill all three basic functions. The web serves as an intermediary for regular—both static and dynamic—advertisements, and it also ensures the possibility for companies to present themselves and provide information. Moreover, it enables a simple and comfortable form of survey, furthermore it involves countless marketing opportunities, many of which lying concealed at the moment. On the top of everything, the purchase may take place on the internet.

**8.4 Above-the-line and below-the-line activities**

Above-the-line (ATL) stands for genuine advertising while “below the line (BTL) refers to any other communication tools (except for sales forces, which does not fall into either category)” [Paul R. Smith: Marketing Communications – An Integrated
Originally, BTL meant only promotions and public relations, but nowadays there are new tools of marketing communications, and the line between ATL and BTL activities is continuously fading. Advertisement of sales promotions is an example is an example for an ATL action supporting BTL ones; the countrywide charity or sponsorship activities are typical instances for certain BTL marketing elements integrated with other BTL ones.

8.4.1 Interconnectedness of ATL and BTL activities

According to Paul R Smith’s book, Marketing Communications – An Integrated Approach: ‘A pull strategy is concerned with pulling the customers into the store and motivating them to “pull” the product off the shelf. This requires an investment in advertising to create customer demand”. In this part I am examining this statement from the aspect of retail chains.

Retail companies follow clean-cut pull strategy, which means that they target the end users with their marketing activity. Push strategy in connection with retailers is void of sense, because they cannot target the members of the channel, since they are the channel. Therefore, according to the above statement, their top-priority means of attracting customers to stores would be advertising. Obviously, advertising is essential, but in my opinion it is not the only action of primary importance. If there would be a retailer chain that decided to radically increase its budget of advertising – thus magazines, TV and radio would be full of its ads-, the interest towards that chain would be aroused in much more people. However, the interest itself does not guarantee the increase in the number of customers.

If the company’s price promotions and merchandising layout were not strong, prices were higher than what customers expected, then the people would not become regular visitors of that chain, so the higher advertisement expenses would be in vain. This means that without a good BTL activity no retailer chain could be successful, even if they spent fortunes on advertising. This is partly true the other way round too: none of the big retailer chains could survive without advertising, because they could make a fantastic shop vainly, if nobody knew they exist at all. Smaller retail businesses may get ahead without any ATL activity, because in a narrow milieu BTL tools alone can ensure the appropriate sales.
In summary, it can be stated that neither ATL nor BTL activity can yield success alone; and –regarding relevance- neither of them can be set before the other one in case of retail chains. Therefore I would complete the above thesis of Paul R. Smith to: “The pull strategy requires both an investment in advertising and an effective BTL policy to create customer demand”. And from our point of view it must be mentioned that the ATL advertisement is the tool of large and financially strong chains, there are lots of retail enterprises that simply cannot afford it. These businesses try to create competitive advantage by BTL and on-the-line marketing tools, which are as advantageous as ATL activities when talking about image building.

9. Conclusion and foreword to the company challenge

During the last 40 pages, we have discussed the basics of brand building and its connections to the retailer’s own labeled brands. Doing all this to be able to give recommendations at the end of this dissertation for Decathlon’s challenge of building brand image in an alternative way on the Hungarian market. We are now aware of the different models that can help a company to understand the functioning of brands and their effect on people’s everyday life. Based on the reviewed theory we can state that for successful brand management the ultimate building-rock is the provision of higher consumer value. This can be conceived in reality as the primary reason for being for every company that cares about the future of the enterprise. As Peter Drucker stated: the only objective of an enterprise is to create consumers – doing this by providing them something more than the others.

However, there is no universal formula that can give the solution for creating this precious consumer value. Every company has to develop the ability to understand in depth their consumers, starting from their behaviors through their motivations. Lot of companies shows a high level of commitment regarding that, but their business practice does not shows the sign of doing so. Market research is not enough itself to understand the target market, especially when this task is outsourced to another company. The only way is that every employee (from the assistants to top-managers) takes the role of the consumer, understanding their problems and needs, look at the surrounding world as the consumers, and uses the products as them. All this requires
analysis and objectivity, but creativity as well. It should be known in advance what the consumer is going to need when the product will be offered to him or her.

Branding assumes the absolute commitment to the qualitative nature of the product as well. Quality means in branding the technical performance that the consumer is experiencing, and this may not equal with the results that in-house quality control can diagnose.

During the realization of this quality the company also has to find the mean of differentiation by identifying the core values of the brands and how it should be communicated to the audience.

As every company is aspiring to build-up long-lasting brands, it is essential to seek opportunities for development but at the same time being consistent to basic brand policy and image. Inconstant brands, which change message, appearance year-to-year only confuse the consumers and will probably even alienate them.

On the other hand no brand can afford to remain unchanged for a long time: times, markets are changing, thus even the strongest brands should change with them. The biggest challenge is to find the way of renewing and improving the brand without losing the loyal consumer base. Beside that the enterprise has to promote its brands. This can be in the form of more aggressive advertising, the thorough training of staff members, or the high investment to research and development. No brand can be of long life without the commitment and support of the parent company’s employees.

The reader of this paper will see that the lessons and the findings have the real business life counterparts in the corporate policy, brand strategy of Decathlon Hungary and that applying some further, new and alternative tools, will make the company the ultimate market leader on the market with the notoriety of their own brands to the similar level than that of global leading brands.

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PART II.

How to drive Decathlon’s Passion Brands to success in Hungary? – The challenge
1. Introduction

The objective of this assignment is to provide practical recommendations for Decathlon Hungary in improving the acquaintance and image of its “Passion Brands” among its current and potential customers. After joining the company I could see that the biggest challenge the company is currently facing is on one hand the efficient and quick development of the country-network, territorial coverage, but on the other hand -which is more interesting from our point of view- to make our own labeled brands more popular and acknowledged from both a quality and image approach.

Decathlon entered the Hungarian market two and a half years ago and for the moment is concentrating its activity to the capital and its surroundings. From this fact comes that no extended, country wide mass-media advertising is justified as the stores are accessible –from a geographical perspective- only to 30% of the population. However, if Decathlon wants to become successful in the long-run and plans to open additional new stores all around the country it has to raise the necessary -financial- resources. Without making the own brands and of course the company name known to broader layers of society –and as a consequence able to sell them- the resources will not be available for further expansion.

In this report I am going to investigate the Hungarian sport accessories market from different aspects based on secondary research findings and of course the current perception of the Passion brands based on my own primary research as well. Nevertheless I have to mention here as a limitation that due to the young history of the company in Hungary very few in-house researches were carried out so far, hereby I will partly use the findings of several French researches as well to confirm the results of my own research and provide recommendations.

Concerning the structure of the assignment I will use a division that enables the reader to follow easily the main ideas contained in the paper, and allowing the complete argumentation to be presented in a concise and logical manner. First, I intend to shortly explain -as an introduction to the topic- the bright emergence of the enterprise and its brands, and the motives behind the company’s internationalization. Then I will investigate the current trends and characteristics of the market in Hungary, mainly focusing on customer habits, different brands’ recognition,
possibilities and the demographic endowments as well. Based on that and my own primary research, I will define who are Decathlon’s audience to whom the existence and the benefits of the Passion Brands should be communicated and in what form it may be done. To provide a tangible final recommendation and a professional, business-like format I will write an action plan which can serve as basis to meet the initial challenge.

2. Analysis of the current situation

2.1 Internal analysis

In the following part I am going to go through the admirable history of the enterprise and the brands in general. This is necessary to understand the build-up and the functioning of the company and to get acquainted with the names and basic values of the Passion Brands, but I really hope that most of them are already familiar to the reader.

2.1.1 About Decathlon and the Passion Brands

“Satisfied sportsmen, this is our way of business”- This is the slogan of Decathlon stores, which is appearing on the badge of every Decathlon worker starting from the salesman to the shop manager. This mentality is one of the key to the admirable success of the company.

But why “Decathlon” has been chosen as a name to retail sporting goods?

Decathlon is a very complex and demanding sport which regroups ten different types of sports. In the sporting world it is regarded as the “king competition” taking into account the required athletic qualities. As Decathlon wants to rally all these qualities in its everyday work have this name been chosen.

The company was established in 1976 by Michel Leclercq and the first shop was opened this year in Englos, France. It was the first self-service department store in Europe offering sporting goods to passionate sportsmen from the beginners to pros.

To provide a wider range of choice, better meeting the different level of usage, Decathlon has created its own brand in 1986. Nowadays the company is producing over 60% of the products on its shelves. In the same year, the internationalization
started with the opening of a shop in Dortmund then all around the world from Brazil to China through Portugal and Poland. Decathlon is now present with its 380 shops in 13 countries. In a few years after the first opening, the company gradually implanted its production and conception entities in countries like Thailand, Taiwan, Korea, Spain, and Italy.

Decathlon created its first own labeled brands in 1996 with Quechua for mountain sports and Tribord for water sports. Today, the company has 13 product brands and 4 component brands\(^1\). On average 65 sports are represented (with over 35,000 SKUs referenced including major international brands and exclusive own labeled ones) in 9 sporting universes. Currently 35,000 employees are working to “make the pleasure of sport accessible to the largest number of people”. Just to indicate with concrete figures how well they are doing so: Number 1. in Europe in the retail business (in the sport sector), and over 4 billion € turnover generated all around the world.

### 2.1.2 The SWOT-analysis

In order to identify the strongest aspects of the company in Hungary and the fields to improve on, I decided to do a SWOT-analysis.

<table>
<thead>
<tr>
<th>Internal factors</th>
<th>Weaknesses</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Strenghts</strong></td>
<td></td>
</tr>
<tr>
<td>Close to market leadership in Hungary</td>
<td>High investment and operating costs are needed.</td>
</tr>
<tr>
<td>Good quality of the own labeled brands and services</td>
<td>People tend to think to own labeled brands as first price, not.</td>
</tr>
<tr>
<td>Best value for money on the market</td>
<td>Neglected coverage of inner districts</td>
</tr>
<tr>
<td>Good notoriety in international markets</td>
<td></td>
</tr>
<tr>
<td>Image of the shops: where everything can be tried</td>
<td></td>
</tr>
<tr>
<td>Qualified employees (on shopfloor level too!)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>External factors</th>
<th>Threats</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Opportunities</strong></td>
<td></td>
</tr>
<tr>
<td>More and more shops opening in the countryside</td>
<td>The weight of international brands on shelves</td>
</tr>
<tr>
<td>Development of e-commerce, and B to B</td>
<td>Government restrictions to build further commercial parks.</td>
</tr>
<tr>
<td>New trends in sports and mass consumption</td>
<td>Increasing price competition between retailers</td>
</tr>
<tr>
<td>More and more Hungarian sportsmen look for value</td>
<td>Emerging offer and choice of hypermarkets</td>
</tr>
<tr>
<td>Better infrastructure of suburbs, better access to stores.</td>
<td></td>
</tr>
<tr>
<td>No sport store coverage in the eastern part of the country</td>
<td></td>
</tr>
</tbody>
</table>

Chart 2. – SWOT analysis (own chart)

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\(^1\) For further information about the Passion Brands I recommend to visit: www.decathlon.com – (the author)
We can see from this strategic diagnosis that the positive side is more dominant, so if the company is able to identify how the opportunities have to be managed so that they are transferred into the strengths and how to avoid that the threats become part of the weaknesses of the company. All over this assignment I am going to assess more in details the different points included in the model, all of them in different parts of the paper.

As far as strengths are concerning, we should not forget to mention that just after two and a half year of active presence on the Hungarian market with only 5 shops (6 from December) relatively close to each other, Decathlon is near to market leadership. If we consider that Hervis is present on the market for now 10 years, it is a very nice achievement. Other strength is the high quality of the exclusive own brands, which is experienced by the customers during using them or trying them in the shop. This differentiates Decathlon from other retailers, here you can try everything! Doing all that with the assistance of salesmen who are qualified in the particular field by being a certified pro or just a passionate.

As a weakness can be considered the high investment and operational costs, which arise from the size of the shops (over 2000m2). All this to better satisfy the customers by presenting more and more sports and level of usage. Another weakness comes from the latter one. Due to the policy of bigger stand-alone buildings next to hypermarkets, inner districts are poorly covered, and as the reader will see from the socioeconomic analysis, sport is more and more practiced in urban places.

From the scope of brands, I have to mention here an anecdote from the early ages of Quechua in France. As the Passion Brands are positioned on a market where individual identity expression and fashion is dominant, it may not be the best to be recognized for being cheap (even if the quality is competitive). This is why in the mid 90s, there were people who just removed the labels of the brand and preferred to show only the qualitative appearance of the brand. From a brand image point of view it is unfavorable. To avoid the same in Hungary, or rather to make people be fans and create fashion for the Passion Brands, this why this assignment is written.
I am not going to discuss the opportunities here; they will be used to give recommendations at the end of the paper, just to trigger the reader’s attention till the end of the assignment.

Decathlon is facing the same threats as most of the specialized retailing companies. The strong competition induced by international brands, the emergence of the big hypermarket chains, which have more and more attractive and technical choice even in the field of sporting goods. Beside that, most of the local governments –despite of the good tax revenues provided by these stores- are becoming reluctant to give licenses to further big commercial entities.

2.1.3 Porter’s five forces model

![Porter’s model](image)

*Figure 8. – Porter’s model*

*Potential new entrants and barriers to entry*

The current retailers of sporting goods are in dominance of the market both in terms of offer and price diversity (from low-tier to high technicity). The players of this market seem to have “closed the doors” of their field of activity. As a consequence, entering this sector requires the overcome of important barriers: difficult
differentiation, huge amount of capital needed, expertise in the field of sport, the necessity of being part of a network of manufacturers and distribution companies.

**Suppliers’ force of negotiation**

Being the distributor of its own brands and partly of the big international brands Decathlon is facing two types of suppliers: its own suppliers and the manufacturers of brands like Nike, Adidas, Puma and so on.

The relationship of the enterprise with its own suppliers is based on a strong partnership. On one hand it favors some smaller Hungarian companies to supply some goods which are not available from the central warehouse and due to the nature of local market people are looking for it. On the other hand Decathlon has long-lasting contact with factories all around the world which are continually audited by in-house quality experts. So the enterprise is in position to control this part of the suppliers.

In contrast, the relationship between Decathlon and the giant brands is quite tense. The representatives of these brands exert a strong pressure when referencing their SKUs. They know that they are inevitable when selecting the offer, and disapprove that they are under referenced compared to the Passion Brands. This deliberate decision of the company is successful from a commercial point of view, especially in Hungary where people are still very price-sensitive, as Decathlon sell good value for money, nicely designed, technical products. So mainly everything, except from a strong image of fashion.

**Customers’ force of negotiation**

The buyers’ force of negotiation is essential, as the switch from one retailer to another is very easy these days with the gradual saturation of the market. The powerful international brands are available at every direct competitor’s shops. Beside that the attitude of the consumer can vary in function of the season, or the trend. This force is very crucial to influence, track because product conception, merchandising and design is not to please the shelves, but the taste of the customer.
Pressure of the substitutes

To evaluate this force, we have to investigate the usage of the sporting good under question. On one side, we cannot forget that a sporting good—as its name also suggests—is connected to a particular sport activity. In this case, the risk of substitution can arise from the change of the practice: it can become less attractive (in favor of other ones) or a new practice requiring less technical equipment can emerge.

On the other side, if the wearing of a sport clothes is in fashion, it can be that later on other clothing fashion may take over the trend. Thus, retailers of sport textile can loose some of their consumers.

Rivalry between competitors

Several different types of actors are confronted: the big retailers (hypermarket chains, large stores) and the specialized retailers.

In between the latter ones, we can distinguish the shops in the suburbs (in commercial areas) and shops in the city center. The trend indeed shows that sports become more and more urban, and closer to fashion. Sport shoes for instance are no more exclusively for sport activities but are increasingly present in the everyday as well. Hervis is mainly building on this trend in Hungary.

We can also differentiate franchise shops (ex: Jákoi Sport), totally independent shops, shops specialized to one sport (ex: Big Bike). The diversity of the actors explicates the intensity of the competition in this sector.

2.2 External analysis

2.2.1 Socioeconomic environment

Sport, doing physical activity is a need for people, which is not born with them, but have to be learned. As a consequence the need, the form and intensity of doing sport is different from age to age and in the different cultures as well. The Hungarian population as sporting good consumer is rather in an elementary state both in health-consciousness and exigency.
But the sport culture is not made by itself, and should be inspired by those who want to make a living on it and wish to serve those ones who are aspiring for a healthier lifestyle.

To better understand the socioeconomic environment of sport consumers we have to look at the sporting habits and frequency of the Hungarian population.

<table>
<thead>
<tr>
<th>Population group</th>
<th>Share from population</th>
<th>Share from regular sportsmen</th>
<th>The regular sportsmen' share</th>
</tr>
</thead>
<tbody>
<tr>
<td>Men</td>
<td>46,4</td>
<td>59,9</td>
<td>8,3</td>
</tr>
<tr>
<td>Women</td>
<td>53,6</td>
<td>40,1</td>
<td>4,8</td>
</tr>
<tr>
<td>Total</td>
<td>100,0</td>
<td>100,0</td>
<td>6,4</td>
</tr>
<tr>
<td>Budapest</td>
<td>18,5</td>
<td>26,8</td>
<td>9,3</td>
</tr>
<tr>
<td>Town</td>
<td>36,7</td>
<td>41,7</td>
<td>7,3</td>
</tr>
<tr>
<td>Other settlement</td>
<td>44,8</td>
<td>31,5</td>
<td>4,5</td>
</tr>
<tr>
<td>Total</td>
<td>100,0</td>
<td>100,0</td>
<td>6,4</td>
</tr>
<tr>
<td>Intellectual occupation</td>
<td>19,7</td>
<td>30,0</td>
<td>9,8</td>
</tr>
<tr>
<td>Physical occupation</td>
<td>40,1</td>
<td>25,6</td>
<td>4,1</td>
</tr>
<tr>
<td>Student</td>
<td>6,8</td>
<td>31,4</td>
<td>29,8</td>
</tr>
<tr>
<td>Pensioner</td>
<td>24,6</td>
<td>11,0</td>
<td>1,3</td>
</tr>
<tr>
<td>Other</td>
<td>8,8</td>
<td>2,0</td>
<td>no data</td>
</tr>
<tr>
<td>Total</td>
<td>100,0</td>
<td>100,0</td>
<td>100,0</td>
</tr>
</tbody>
</table>

Table 1. – The percentage share of regular sportsmen within the different population (source: Dr. Hofmann Istvánné: Sportmarketing, 2000, page 89.)

The data show a very sad picture of Hungarian sporting habits. The students of secondary school and higher education do something for their physical condition, however partly due to parents’ or the school’s pressure. In the Table 2., I am presenting a few sport habit statistics in order to illustrate the practicing of the different sports.
### Table 2. – The percentage share of regular sportsmen within the different sport activities and the population group (source: Dr. Hofmann Istvánné: Sportmarketing, 2000, page 90.)

However, the number of practising of the different sports is not showing the popularity of that sport but the opportunities available as well. The popularity of cycling comes from the fact that it can be practiced everywhere, alone or in group.

It is not common either that the regular sportsmen are also member of a club.

This is illustrated in the coming table:

### Table 3. – Numerical data of regular sportsmen and club members subdivided to sport activities (source: Dr. Hofmann Istvánné: Sportmarketing, 2000, page 91.)
The interesting point of this table is that the number of club members is much more than the number of regular practicers in the case of volleyball and hiking. This comes from the fact that members subsidize the clubs without actively participating. So there is a lack of motivation on the market, which can be identified and then be changed.

Another thing which is worth to analyze—to know where it is justified to appear with some kind of communication—is the place of the sport activities.

<table>
<thead>
<tr>
<th>Place of sport activity</th>
<th>Population between age 15-79 doing sport</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>in percentage</td>
</tr>
<tr>
<td>Public places (parcs, street, lakes, forest...)</td>
<td>30,3</td>
</tr>
<tr>
<td>Clubs’ sport fields, swimming pool, sport halls</td>
<td>23,4</td>
</tr>
<tr>
<td>Schools’ sport fields</td>
<td>18,1</td>
</tr>
<tr>
<td>At home</td>
<td>14,9</td>
</tr>
<tr>
<td>Workplaces’ sport fields</td>
<td>6,8</td>
</tr>
<tr>
<td>Fitness center, gyms</td>
<td>2,1</td>
</tr>
<tr>
<td>Community centers</td>
<td>1,4</td>
</tr>
<tr>
<td>Other places</td>
<td>3,0</td>
</tr>
</tbody>
</table>

*Table 4. – The division of people doing sport according to the place of the activity (source: Dr. Hofmann Istvánné: Sportmarketing, 2000, page 91.)*

The share of indoor building places (almost 65%) is quite high, which are mainly operated by clubs, schools, and workplaces.

*Decision making in sporting good purchase*

The participation in sporting activity is influenced by a lot of factors, and the decision making process is much more complex than in the case of simple physical products. First we have to decide if we want to practice some kind of sport or not, and why we have to do it. Then we should consider the form, the type, the related costs, and the regularity of the activity.
In sporting goods’ consumption can neither the question related to the needs be avoided. The same is true for the dilemma of buying again. Here is a possible model to illustrate this process:

Figure 9. – Model of consumer behavior in the sport (own chart based on Hoffmann Istváné’s model, Sportmarketing, page 94)

2.2.2 Competitor analysis

There is no business environment where competition is not present as an external force. This force is very present on the Hungarian sport accessories market as well. Ten years ago –you may not believe- there was no specialized shop where different types of sporting goods could be bought. If you wanted to buy a sport accessory, you had to go to a small specialized shop somewhere in the city center. First, with the appearance of hypermarkets was a possibility to find several product families at one place. Then Giacomeli Sport entered the market and after few years of activity they decided to withdraw from the market. In the following I will analyze one-by-one the different major competitors by looking at their strategies and their differences compared to Decathlon.
**Hervis**

The subsidiary of the Austrian Spar group entered among the first the Hungarian market in 1997, gained market share rapidly and become the absolute leader. This position they are losing these days- two and a half years after Decathlon entered the market. Hervis usually implants its entities to big shopping centers, with an average size of 1000 m². They have 15 shops all around the country. Hervis puts the emphasis on the retailing of international brands beside few very poor quality “brand”, focusing to products mainly for everyday use. They concentrate on offering seasonal products and some very good bargains (which is in fact false). As the shops are small compared to Decathlon stores, they are presenting maximum 25-30 sports in their stores. The merchandising concept is very simple: put everything in boxes and crowd the whole shop. The inner appearance of the shop does not make people dream and does not really transmit the message: let us do sport with pleasure. There is no real separation of the different sporting universes and very few communication materials (only some molinos of international brands). No boards explaining the difference between the different products and level of use, no possibility to try the products within the shop. We can say in general that there are no tools used to facilitate the choice of the customers. Their promotional advertising is abusing the confidence of the customers, as they cut a price to its half which was in reality never applied in practice in the shops.

Their competitive advantage is in the good, well-frequented locations, the good communication of special offers (lot of catalogues distributed, ads in newspapers), and use of TV as a channel of communication. Beside that they sponsor rather big sport events (ex: marathons, central sport days) and organize ski journey for moderate price where all the skis they are selling can be tried. In what they are in advance compared to Decathlon is the loyalty card, which was introduced in spring 2007.

Hervis is doing much less to please and satisfy its customer than Decathlon, whose concept and policy is going to be discussed more in details in the next part of this assignment.
**Intersport**

The Austrian company entered the Hungarian market approximately a year ago. Now, they are before opening their 10th store. They are present with two retail entities in the agglomeration of the capital and seven in major cities. The typical size of an Intersport shop is between 800m2 and 2000m2. A great majority of the shops are functioning in a franchise system. They concept in customer service and in-store communication is a bit similar to Decathlon, however the height of the gondolas are lower (around 1.2 meters instead of 2.25 meters), thus they have much less product to offer to the customers. They also recognized the opportunities of having own labeled brands but they do not have for every product category. Their competitive advantage is the possibility of bike and ski rental and the loyalty card providing a lot of benefits for the buyers.

**Sport universes of hypermarkets**

Hypermarkets are the giants of the retail sector. They commercialize a huge variety of products from FMCG to electronic devices and of course sport equipments as well. They offer low quality, low priced products (mainly from China) with simple technicity. The level of assistance to sell the products is very basic, but the prices sell the offer itself. As Hungarians are still very price-conscious, from a business competition approach they are very strong competitors. Furthermore they are located just next to Decathlon stores, in suburban commercial zones. I had the opportunity to visit a Tesco store’s sport universe recently. They have even own labeled brands for sport equipments, with quite wide range of products. I was surprised to realize that during winter the sport universe of Tesco provided much more choice in cycling equipment than that of Hervis. Hypermarkets –due to their spectacular volume of turnover- can sometimes sell the products below its purchase price, to attract more people in the shop. They become the inevitable –and very competitive- players of every sector’s market.
Small specialized shops

There are numerous small sport shops all around the country usually under the name of an international brand, like Adidas, Nike, Puma, Arena and so on. Beside them there are a few specialized retailers whose clients are mainly the pros of a particular shop. These do not have any marketing activity at all; they have some contacts with clubs and trainers and rely on word-of-mouth. These small shops are only competition to Decathlon in case of very technical, extraordinary sports, which are practiced only by very few people in Hungary. These shops are successful if they can find their niche market.

The following map illustrates us the coverage of the county by specialized sport retailers (Decathlon, Intersport, Hervis). Budapest’s inner district are not illustrated in this map, but the city center, plazas are dominated by the presence of Hervis (6 shops within administrative borders of the capital).

![Map of sport retailers coverage](map.jpg)

*Figure 10. – The coverage of the country by the sport retailers. (own figure, map taken from Wikipedia website)*

The map clearly shows us that the companies concentrate their activities to the Western part of the county as people’s purchasing power is much higher than in the Eastern part.
However I should mention here that Szeged and Nyíregyháza and of course their surrounding does not have the access to any kind of large scale sport retailer. This can be taken into account for further expansion investigations.

2.2.3 How people see the Passion Brands?
In this part I am investigating the typical customer of the company, how they perceive the shops, and the different aspects of the Passion Brands if they know them at all. I performed a primary research to assess the image and the awareness/recognition of a few brands and the perception, experiences that people have related to them. This research was of crucial importance to see the current situation of the Passion Brands in Hungary and to be able to give recommendations. The two major objective of this research is to measure the evolution of the notoriety of Decathlon stores and reinforce the image of the own labeled brands.

The researches covered the following main aspects:
- Spontaneous recognition of sport retailers
- Assisted recognition of sport retailers
- Visits in Decathlon shops
- Purchasing habits
- Image of Decathlon

The research about the Passion Brands was performed from 2nd November to 24th November in the form of online questionnaires (www.freeonlinesurveys.com).

The online research
I made this primary research because on one hand I was curious to know how many persons have some knowledge or experience about the brands, and on the other hand to know what is their current position and that of Decathlon as a whole. The results were not surprising for me, but at least my anticipations were confirmed. I asked the following questions:
- What is your gender?
- Where do you live?
- How old are you?
-Which sport retailers do you know from the list below?
-What is the first thing coming to your mind when you hear “Decathlon”?
-Do you ever been to a Decathlon store?
-Do you know Decathlon’s own labeled brands?
-If you have already been to a Decathlon store, what makes it better from its competitors?
-Can you list some of Decathlon’s brands?
-Which brands do you know from the list below?
-If you know Decathlon’s brands, what opinion do you have about them? Define it briefly!

The first three questions are to identify the sample from age, geographical and gender aspect. As the filling of the questionnaire was voluntary, as the decision to go to that particular link was up to the person. This is why younger and older groups; countryside and Budapest; male and female groups are not represented in equal proportion. The size of the sample is 94, as the online program’s free version allows maximum 100 answers.

Now let us see the results more in details:

![Gender of the sample chart]

**Chart 3. – Gender of the sample**

It seems that ladies were most excited about filling the questionnaire, this is the drawback of not preparing a concrete composition for the sample (for instance from people who I know), at least –as it was impossible for me to use such tools as AC Nielsen has- I do not know personally the respondents and this increases the reliability of the research. To have a sample representative for the population, at least 1200 should have been reached online.
The next question referred to the place of residence.

![Place of residence of respondents (%)](image)

**Chart 4.- Place of residence of respondents**

This information is essential from point of view that we know how acquainted are people with Decathlon in the capital. As the company is not so much represented in the countryside we can rely on this result to draw conclusion later.

I divided the age groups in the multiple choice question to 15-18, 19-26, 27-35, 36-45, 46-62 and over 62. Unfortunately I did not get answers from people between 15-18 and 36-45. As this latter age group has an important part in purchase decision making in general, this is distorting a bit our picture.

![Age of the respondents](image)

**Chart 5. – Age of the respondents**

The first really relevant question referred to the knowledge about sport retailers. In terms of recognition Hervis still have a small advantage, but it is due to their 10 year presence on the market and the more aggressive ATL communication. The relatively
good awareness about Mountex was a surprise, as they have only a few shops and practically no communication.

<table>
<thead>
<tr>
<th>Which sport retailers do you know?</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Decathlon</td>
<td>24.1</td>
</tr>
<tr>
<td>Hervis</td>
<td>26.2</td>
</tr>
<tr>
<td>Intersport</td>
<td>13.1</td>
</tr>
<tr>
<td>Go Sport</td>
<td>3.4</td>
</tr>
<tr>
<td>FootLocker</td>
<td>5.5</td>
</tr>
<tr>
<td>Jákoi Sport</td>
<td>12.4</td>
</tr>
<tr>
<td>Mountex</td>
<td>15.2</td>
</tr>
</tbody>
</table>

Then I wanted to investigate the association that people have when hearing “Decathlon”. Most of the people responded sport, sport store, giant of the sport, blue, sport equipment, bike, dynamism, good staff, French company. Only one people answered Quechua, this was the only top of mind brand association to Decathlon. This clearly proves that a lot of work is still needed as far as brand image building is concerned in Hungary.

There were other answers out of which I chose a few, because they are also important, but were not the most typical:
- cheap
- electronic entertainment shop
- home trainer
- Blue bag
- Paris
- Favorite place of my kids, because they can try everything
- “Nothing, I do not know this notion”
- Vitalsport, Á fond la forme!

These answers reflect the different perceptions, ideas that people have about Decathlon itself.

The next two questions concerned the visits in Decathlon shops and the knowledge of the Passion Brands. According to this 70.7% of the respondents have already been to a Decathlon store but 68.3% of all respondents do not know the brands at all. This
is the most impressive data, which I have already mentioned in the introduction. The company has a very good image, leads the market, people like to visit the shops but do not know the brands, or cannot even recall the brands they buy. This is the situation which has to be changed.

A great number of people think to Decathlon as a good and valuable player of its market. The chart indicates which factors the respondents perceive as an advantage of the shops.

<table>
<thead>
<tr>
<th>What is the advantage of Decathlon compared with its competitors?</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Choice</td>
<td>21.3</td>
</tr>
<tr>
<td>Staff</td>
<td>6.7</td>
</tr>
<tr>
<td>Prices</td>
<td>14.7</td>
</tr>
<tr>
<td>Promotions</td>
<td>13.3</td>
</tr>
<tr>
<td>Own brands</td>
<td>8.0</td>
</tr>
<tr>
<td>Offers</td>
<td>12.0</td>
</tr>
<tr>
<td>The size of shops</td>
<td>13.3</td>
</tr>
<tr>
<td>Service</td>
<td>2.7</td>
</tr>
<tr>
<td>Other</td>
<td>8.0</td>
</tr>
</tbody>
</table>

Under other the respondents mentioned the possibility to try every products, the spacious and free parking lots, but also that it is the same as all the others or even worse. These respondents were in minority.

As a conclusion we can say that the reputation of Decathlon is quite good along with customers’ awareness, but the weak image performance, notoriety supports the good selection of company-challenge to be discussed.

3. Analysis of desired situation
In order to make the objectives a reality we have to use some strategies and tools, which are defined on the basis of what we have analyzed so far: the customers, the competitors, the position of the company and the brands, the opportunities to take.
3.1 Marketing Objective
The aim of Decathlon’s marketing activity is reflecting the young past –even if market leadership is already acquired- of the company in Hungary. As we could see from the researches the Passion Brands are not really known by the Hungarians. The question is how can the “Decathlon” brand name’s relatively good awareness be transferred to the own labeled brands. The researches let us suggest the following basic steps:

- Building the notoriety of the Passion Brands
- Improve the image of the brands separately
- Induce positive associations in people related to Decathlon itself
- Use new and innovative techniques of reaching target group

In the coming parts we are going to analyze to who it is worth communicating the values and benefits of the brands and through which channels and tools it has to be done.

3.2 Target of communication
Sport is more and more becoming a determining alternative when we are talking about the spending of leisure time. Beside that, an increasing number of people start to realize that the key to a healthier life is not only about not smoking and not drinking alcohol but also doing sport. As mentioned in the socioeconomic analysis sport is for everybody from early ages. This is why the target of the communication cannot really be narrowed to gender, age, but geographical, location aspects have to be taken into account. We should not forget the mission of the company; make the pleasure of sport available for the largest number of people. This means that the company is not targeting only professionals, trainers, but everybody who wants to enjoy of doing some physical activity.

However with the evolution of urban sport trends and the expansion policy of Decathlon, the target group can be defined in one sentence:

Health-conscious sporty people living in bigger cities or their surroundings who likes design and quality but are not ready to pay the price for an identical international brand.
Now, the only question is what methods are worth using. In the next part we will have a look at the different available tools, and we are going to evaluate each of them regarding how they can be used or not.

### 3.3 Communication tools

As the line between ATL and BTL tools are fading, I will not divide this part according to that, but instead start with those ones that the company is already using, and then continue with those that might be considered.

Decathlon Hungary is putting most of its marketing efforts to in-store communication to help the customers during the buying decision process and influencing directly them at the point of sale. There are so called PLVs, how to choose boards, mannequins, product exhibitions, flags, “stop rayons”, POS displays, LCD-screens, fixed catalogues, leaflets in racks and so on. We can analyze them shortly, one-by-one:

**PLV**: Is an abbreviation that describes the plastic or carton board put in linear to highlight an innovative feature of a particular product or product group. It informs the buyer about the technicity and advantages of the product and is a nice way to separate product families and break the monotony or homogeneity of the linear meters.

**How to choose board**: Is explaining to the customer which product better fits to the different level of usage and what are the aspect to be taken into account when selecting the product. It can help to choose the sizes as well.

**Mannequins**: In every shop mannequins are placed at the entrances of the departments –just next to the end of gondolas. These serves to demonstrate the sport textiles in a more realistic way not only on hangers and shelves. A very attractive way of presentation!

**Stop rayons**: During promotions these colorful carton papers (having the promotion’s picture on) it are placed in linear to highlight the catalogue products and some other good offers with the prices on it.
POS displays: Some –usually innovative or simply new- products have a different type of presentation. These are frequently used as a secondary display in the main corridor or at the end of tills. They are a superstructure made from plastic or carton paper and the products are put on it. These displays already bear the technical explanation, photos, and racks to hold leaflets about the product.

LCD-screens: The stores use the 21st century’s technology to demonstrate in practice the use of the Passion Brands, with opinion leaders, brand managers talking about the advantages. During major sport events (Olympic Games, Tour de France...) the visitors can follow the broadcasting within the shop.

Concerning the use of ATL tools, Decathlon can still improve in Hungary. The reason why it is less used arises from different facts. First, the company does not have yet country-wide coverage with its network, secondly these communication tools are very expensive, therefore the enterprise prefer to sponsor more local sport events or give sport equipments to schools. And by saving on marketing costs the company can maintain its good prices and can “give back more” to their customers in the form of offers, events, discounts, more salesmen and so on. Now, let us analyze the ATL means.

Billboards: This is one of the most popular tools nowadays in advertising. Decathlon uses too, on one hand to advertise its promotions, campaigns; on the other hand to provide information about how to reach the shop in the particular zone. Only one or two products have been advertised through billboards for the moment, but it would be interesting to see only Passion Brands on billboards in the future.

Newspapers: This is very expensive but very efficient in reaching the target audience. In Metro newspaper (free newspaper distributed all around the city) half paged ads of Decathlon appeared recently focusing on the products of Wedze (winter sport brand). Some other local newspapers are also used, and I have seen ads in a ski travel catalogue as well. The presence in the technical, specialized magazines is not typical, but is an opportunity to be taken.
Catalogues: Approximately 5 times a year 1.6 millions catalogues (around 25 paged, with colors, picture of people during usage and an own sport event advertised on the backside) are distributed to the households in the zones from where one of he shops are easily accessible. The distribution of them in frequented places like metro stations, in bigger roads’ crossing, fitness centers is also a possibility.

Internet: Decathlon Hungary has its own website (www.decathlon.co.hu) where all the products can be found (only Decathlon provides the possibility to check all the products on its website) with explanations, photos and prices. For the moment there is no possibility to buy the product online in Hungary, only in France. There is a menu for HR, and a very interactive GPS-like tool to help people find the shops more easily. No Passion Brand site exists in Hungarian language yet.

TV: Not yet used in Hungary, due to the concentration of shops to the capital and its surroundings and two shops in the western part of the country. But spots have already been projected to a giant led-screen in one of the busiest place of the city and also on the exhibition TVs in a very popular electronic shop (Media Markt).

Radio: Not used so far, but as we discussed in the theoretical part people listen to it only as secondary activity, and do not like to be interrupted by ads. However some very special offers, especially during the sales period two times a year could be communicated through radio.

Mailing: As the data of the customers is not collected consistently there is no possibility to do mailing, direct marketing. I will devote a dominant part of the recommendation to explain the opportunity it gives to Decathlon together with using loyalty card.

PR: The company is sponsoring a lot of sport events, family days. Very good relationships have been built with clubs, schools, local authorities, The Army and so on. Decathlon is giving products to contribute to the awards of the sport events organized by these associations. Beside that the shops have own sport fields and huge parking lot where sport days are regularly organized.
**Own-magazines:** Quechua already have its own magazine informing the customers about the latest developments, new product launching, technical partnerships, etc. These are colorful 20 paged magazines distributed and placed only within the shops. The extension to other popular brands can be a good opportunity to increase the image of the other Passion Brands as well.

### 3.4 Result evaluation measures

In order to be able to measure the results of implementing my recommended action plan we have to define some critical success factors. As brand and brand image building is a long process and is not a matter of two months, but rather years, I will use the French “current situation” as a target to be reached in 5 years. Although the Passion Brands are present on the French market for now almost 10 years, brand trends have been accelerated in Hungary, so the market in the country can reach the actual state of the French market in approximately 5 years. Of course not in volume, but in brand awareness and recognition. The reader will see that it will not be possible in the case of every Passion Brands, as in France some of them are ultimate market leaders with fantastic results.

The French research (over 1000 questioned people by Ipsos) performed last year analyzed the different level of awareness and penetration of each Passion Brand. Here we are not going to analyze them one-by-one but rather summarize the situation which can serve as a lesson or an objective to Decathlon Hungary. Here are the results divided to brands with relatively weak and strong potential:

**Relatively weak awareness and penetration:** These brands in most of the case have to compete with the giant international brands who are investing millions of dollars every year since 30 years. We do not have to forget that the Passion Brands were born only 10 years ago!

Domyos is known by 26% of the sample, Inesis 44%, Kipsta 31%, Geologic 19%. This means that the brand with the second highest turnover in Hungary (Domyos) has among the lowest recognition in France. In terms of market penetration the weakest are in France Geologic with 6%, Kipsta with 12%, Domyos with 14% and Inesis with 18%.
Definitely strong awareness and penetration: Quechua has 85% brand awareness, Tribord 68%, Btwin (formerly Decathlon cycle) 96%. This latter is an ultimate market leadership in France with the most bikes sold in the entire county! As far as market penetration is concerned Quechua reached 29%, Tribord 34% and Btwin 66%.

If the Passion Brands can reach similar level of awareness and penetration in five years in Hungary, then it can be considered as a success. At present, it is true for the French market as well that some brands have a lot of customers with very nice turnover but despite of that a very weak image, recognition. The task of every Decathlon worker is to be an ambassador of the brands and give content to these brands with the use of every available tool enabling the shift from the image of a retailer’s own labeled brand to a big international leader brand. The recommendations given in the last part will focus to this.

3.5 Conclusions

Decathlon is a specialized distributor on the sport market. Its leader position is due to different factors, like the extended choice, the expertise of the sales force, the innovative layout of the shops, the cozy environment, and the good value and quality for money thanks to the exclusive Passion brands developed in in-house research centers with the involvement of the technical partners. The company’s biggest challenge is from now on to increase the notoriety of their own brands which are not really known by the audience and gradually beat the big international brands. Taking into account the nature of Hungarian customers (price-sensitivity), the current trends both in sport and Decathlon’s performance, chances are that the objectives can be met. Building brand image and doing this for 13 different brands is not an easy task, but the experiences in France, the new tools in marketing practice are there to give support to succeed on the Hungarian market. As we could see in the theoretical part of this dissertation, people are strongly influenced by the aspiration factor of a brand; they are looking for a higher level of customer value not only the physical product itself. The aspiration and the image in most of the cases does not come on its own
account, to reach it, concrete actions must be taken, which are going to be discussed in the recommendation part to close the argumentation of this assignment.

4. Recommendations and actions

In this part I will omit all kind of academic intonation, style and go straight to recommend tangible actions which foster the reaching of the desired situation. The alternative approach –mentioned in the title- refers to the way of not only using the “worn-out” marketing tools. It won’t be a useful recommendation to propose the company to spend 1 million euros for a TV spot or the distribution of 10 million leaflets all around the country. The actions that I propose are realistic from both a budget and implementation point of view and are easily fitting to Decathlon’s policy.

-> Make the Passion Brands fashionable to all!

*How to be in the scope of the news?*

- Make the brands spectacular by reaching that leading specialized sport newspapers and trend magazines write about the Passion brands in superlatives and put attractive photos about them.
- Provide ample information for newspapers by sending catalogues, products to try.
- Emphasize that the Passion Brands are international and can be found in western households as well.
- Build good and long-lasting relationships with journalists to be always in focus.

*How to be desirable for the customers?*

- Line up some opinion leaders next to the Passion Brands. It can be done by persuading media personalities, stars to actively participate to fashion shows, club nights organized by Decathlon and provide them products for free.
- Cumulate successes and communicate to the previously acquired journalist contacts. It can be a business success, a technical partner’s sport success, an employee’s sport success, the design award of a new product.
- Organize spectacular events. I can image a huge Decathlon truck on a road-show all around the country, spread the message of: „Make the pleasure of sport available to the largest number of people!”
-Develop and implement the loyalty card which is already used by the major competitors and the Decathlon stores in France. It can be combined by the direct marketing tools and offer “credits”, gifts, advantages in a personalized way. Thus the field of interest of the customer will be known when his loyalty card is read at the tills after the purchase.

*How to reach that people differentiate the Passion Brands?*
-Create legends, myths about the use and the technicity of the brands.
-Use patents and other differentiating marks. Continue the development and use of component brands.
-The use of the brands has to be communicated, demonstrated. Involve technical partners who can be the representatives, faces of the brands.
-Try to get some persons from high society to be part of loyal customers.
-Start to communicate every Passion Brand separately (billboards, internet...) with attractive visualization.

*How to reach that people try the products?*
-Provide trial possibility, free products for journalists, opinion leaders, and technical partners.
-Analyze the possibilities of other distribution channels (TV-shop, online stores...)
-Communicate the new sport trends that create new needs. This is creating market for the new products.
-The sponsoring of local sport events with products, and own sport events is already applied successfully by the company.

*How to make people believe that the Passion Brands are among the best in the world?*
-Every employee of the company is respecting the principle: ‘I am the ambassador of the own brands” and is acting as a real diplomat during the sales procedure.
-Organize presentation for the VIP audience.
-Provide qualitative service on the shop-floor level and on the management level as well.
-Share the product test results, experiences with the customers; let it be in the form of merchandising communication, blog site registries or through the specialized magazines.

These actions refer to the brand management side of the challenge, but as the Passion brands can for the moment exclusively be bought in Decathlon stores, some recommendations from a retail and commercial aspect are needed as well. As we could see from Figure 10, there are still a lot of places to expand within the country where no competitor is present yet, like the city of Szeged, Nyíregyháza, Siófok, Eger...

Siófok- at the cost of Balaton lake- is a potential location for an exclusive Tribord (Decathlon’s water sport brand) shop. In my opinion there is future for separate smaller shops in Hungary as well where only the products of one single Passion Brand can be bought. It could be implanted in city-centers with a smaller floor space to increase the accessibility of the brand and follow the previously investigated trend of urbanization of sports.

I strongly believe that the Passion Brands can reach success in Hungary if the values of every single brand are communicated properly by the persons closest to the customers. As Decathlon is aspiring to build-up long-lasting brands, it is essential to seek opportunities for development and innovation in the marketing of them but at the same time being consistent to basic brand policy and image is inevitable.

On the other hand no Passion Brand can afford to remain unchanged for a long time: times, markets are changing, thus even the strongest brands should change with them. The biggest challenge is to find and implement the ways of renewing and improving the brand and its publicity, communication without losing the original values and the current customer base. I think the above recommendations can be useful to the further success of Decathlon’s own brands in Hungary.
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